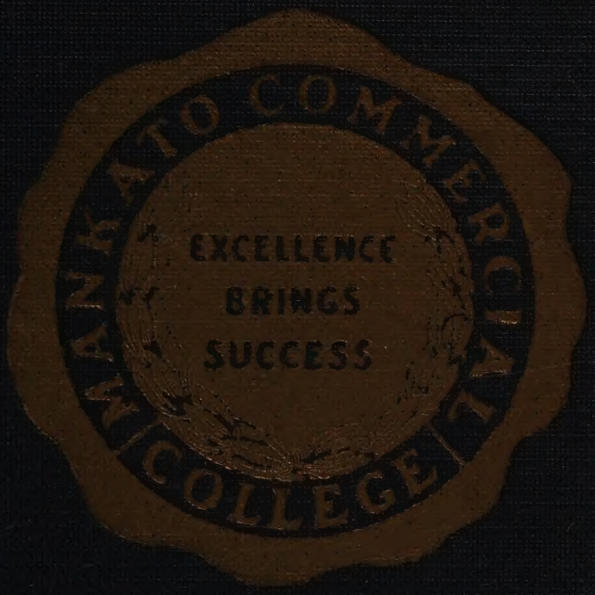
STUDENT'S GUIDE



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Mankato Minn

STUDENT'S GUIDE

TO ACCOMPANY THE

Mankato Commercial College System

OF TEACHING

Bookkeeping and Business Practice

WHEN USED IN CONNECTION WITH THE OUTLINE OF TRANSACTIONS PROVIDES A FULL COURSE OF INSTRUCTION IN BOOK-KEEPING AND OFFICE PRACTICE

1919

MANKATO COMMERCIAL COLLEGE
MANKATO, MINN.

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PREFACE

THE object of this book is two-fold: First, to provide the student with a full accompaniment of necessary instructions regarding the business transactions and bookkeeping required by his "Business Directions or Cabinet;" and, Second, to afford him a reliable reference book upon business affairs and bookkeeping in general.

For greater convenience, the work has been divided into two parts: Part I, containing the special instructions pertaining to the student's work, and Part II, a more general consideration of Bookkeeping and business forms and methods.

The book is to be regarded as a manual of bookkeeping and business practise, rather than as a systematic treatise on bookkeeping as a science.

In selecting the business and bookkeeping methods to be followed by the student, the authors have endeavored to adhere to the actual practise of the countingroom. With the beginning student more amplification is necessary than would be advisable in the economic administration of the accounts of a real business; but as soon as possible the student has been required to do everything as it would be done in actual business. The practical advantages of this requirement do not need arguing. If the student is to be trained to do real office work, he must have such work to do. Had it been desired merely to familiarize him with theoretical bookkeeping, very many of the methods and devices required in his work could have been dispensed with; but the basal idea of this course of instruction is that the student "learns to do by doing" and that this is really the only way for him to learn, if his learning is to be put to the test of actual use.

Of course, much more variety has been required in the use of special books, forms of balance sheets, the disposal of accounts, etc., than would be employed by any one business house in the keeping of its accounts, but the necessity for this variety is obvious, when it is remembered that the student should receive an "all-round" training, and not be hampered by the narrowness that restricts the bookkeeper that has been familiarized with but one set of bookkeeping methods.

With this brief introduction, the work is submitted to the teachers of bookkeeping and business practise, in the confident belief that they will find in the method here presented a practical and logical means for training commercial students to proficiency in the requirements of practical business and bookkeeping.

Bank Account on Check Stub .....Pages 120-121
Overdrawn .....Page 44, Par. 282
Bank Draft .....Page 66, Par. 350
Banking .....Pages 198-211
Cash Book .....Page 206
Certificate of Deposit Register.....Page 208
Certified Check Register .....Page 207
Collection Register .....Pages 200-201
Discount Register .....Pages 200-201
Draft Register .....Page 207
Journal .....Pages 208-209
National Banks .....Page 198
Officers .....Page 198
Opening Entry .....Page 199
Pay Roll .....Page 210
Savings Banks .....Page 198
State Bank .....Page 198
Bank Note .....Page 226
Bankruptcy .....Page 243
Be Orderly and Systematic .....Page 52
Best Way to Make a Journal Entry .....Page 53
Bill Books .....Pages 31, 43, 50
Inspection of .....Page 49, Par. 303
Bills and Invoices .....Page 7, Par 35
Discounted .....Pages 52, 75, 76
Receipted .....Page 8
With Discount, form of .....Pages 52, 75, 76
Without Discount, form of .....Pages 44, 74
Bills of Exchange .....Page 104, Par. 500-503
Bill of Lading, Assignment of .....Pages 225, 246
Register .....Page 31
Bills Payable .....Pages 29, 30, 70, 217-219
Account .....Pages 27, 30, Par. 204
Controlling Account .....
.....Pages 147, Par. 664; 148, 227, 228, 240
Bills Receivable Account .....Page 49, Par. 301
Controlling Account .....Pages 227-228, 240
Register .....Page 50
Bills Rediscounted .....Page 210
Blank Indorsements .....Pages 96, Par. 436; 222
Blotter .....Page 242
Bookkeeping .....Pages 1, Par. 1; 211
Double Entry .....Pages 1, 211
Laws of Double Entry .....Page 3, Par. 15
Principles of Double Entry .....Page 3, Par. 15
Primitive .....Page 212
Single Entry .....Pages 1, 121
Bookkeeper's Addition .....Page 231
Qualifications .....Pages 2,
53, Par. 325; 54, Par. 336; 55, Par. 342, 343
Trinity .....Page 213
Books, Auxiliary .....Page 214
Of Account .....Page 1, Par. 1
Of Original Entry ...Pages 1, Par. 2; 96, Par. 432
Of Subsequent Entry .....Page 1, Par. 3
Reference .....Page 230
Two Sets of Corporate .....Page 166
Bonus .....Pages 165, 243
Borrowing Money .....Page 227
To Pay Dividends .....Page 185
Branch House .....Pages 141, 142
Account .....Page 141, Par. 638
Balance Sheet .....Page 142
Bills .....Page 141, Par. 640
Books .....Page 141, Par. 642
Duplicate Records .....Page 142, Par. 642
Branch House, Loose-Leaf Records.Page 142, Par. 642
Loss and Gain .....Page 141, Par. 641
Prices .....Page 141, Par. 639
Business .....Page 211
And Financial Statements .....Page 214
Ciphers and Codes .....Page 225
Papers in General .....Page 217
Transactions .....Page 1, Par. 1
By-Laws .....Page 165
Capital Stock.....Pages 3, Par. 17; 35, 38, 161
Account .Pages 3, Par. 17; 36, 38, 40, 93, 173-174
Closing .....Pages 35, 36, 39, 40, 93, 186-187
Opening.....Pages 3, Par. 17; 173-174
Operating .....Page 162
Working .....Page 162
Carriers .....Page 246
Classes of .....Page 246
Liability of .....Page 246
Responsibility .....Page 247
Cash Account .....Pages 15-18, 80
Closing .....Pages 20, Par. 119; 80, Par. 391
Form of .....Page 20, Par. 121
How to Balance .....Pages 46-48
How to Forward .....Pages 46-48
How to Transfer to Cash Book.....
.....Page 80, Par. 392
In Ledger .....Pages 20, 46-48
Petty .....Pages 80, 85-86
Cash, what is, in Bookkeeping..Pages 63, 80, Par. 386
And Bank Account .....Page 63
Balance .....Page 99, Par. 438
Sales .....Page 240
Cash Book .....Pages 80-86
Balancing or Closing..Pages 80, Par. 390, 391; 125
Columnar .....Pages 118, Par. 560; 149
Containing Bank Account .....Page 113
Daily Balance .....Page 84
Entries in, How to Make ....Page 80, Par. 387-388
Examination .....Page 86
Form of .....Pages 82-83
Posting from credit side .....Page 80, Par. 388
Posting from debit side .....Page 80, Par. 387
Single Entry .....Page 123
Special Column .....Pages 119, 134-139, 149
Testing .....Page 81
Three ways to use two-column .....Pages 80-81
Certified Check Register .....Page 207
Certificate of Deposit .....Page 105
Register .....Page 208
Changing Partnership to Corporation .....Pages 183-184
Corporation to Single Proprietorship Pages 183-184
Double Entry to Single Entry .....Page 125
Single Entry to Double Entry .....Page 125
Change List .....Page 235
Charges .....Page 129
Tickets .....Page 112, Par. 525
Charter .....Pages 159, 160
Chattels .....Page 99, Par. 441
Checks .....Pages 4-7
As Receipt .....Page 6, Par. 32
Form of .....Page 5, Par. 27
How to Write less than $1.....Page 5, Par. 28
How to Write so cannot be "raised" Page 5, Par. 29
Resembling Drafts .....Page 7, Par. 34
Returned .....Page 99, Par. 447

Checking a Statement ..... Page 67
Your Posting ..... Page 54
Check Figure Proofs ..... Pages 140, 231-234
Choice of Stock ..... Pages 160-161
Ciphers ..... Page 7, Par. 37
Claims, How to Make ..... Page 247
Classification of Accounts ..... Pages 35-36, 211-212
Of Ledgers ..... Pages 227, 240
Clearing House ..... Page 241
Closing Accounts ..... Pages 19, Par. 109; 35-41
At Liquidation ..... Page 125
Books ..... Pages 35-41
By Journal Entries ..... Pages 37-41
Cash Account ..... Page 20, Par. 119
Corporation Books ..... Pages 181, 195
Direct, without Journal Entries .. Pages 35-36, 92-93
Steps in ..... Page 92, Par. 413
C. O. D. Delivery Tickets ..... Page 120
Orders ..... Page 120
Register ..... Page 120
Sales Book ..... Page 120
Coin ..... Page 226
Collections ..... Page 103, Par. 486
Account ..... Page 103, Par. 489
Collection Register ..... Pages 200-201
Column Journal ..... Page 89, Par. 399
Footings ..... Page 89, Par. 402
Headings ..... Page 133, Par. 632
Postings ..... Page 118, Par. 560
Combined Journal and Day Book ..... Page 214
Commercial Abbreviations ..... Page 255
Agencies ..... Page 229
Commission ..... Page 99, Par. 451; 245
Account ..... Page 245
Business ..... Page 128
Cash Book ..... Page 129
Charges ..... Page 129
Sales Book ..... Page 130
Sales Ledger ..... Page 131
Comparing Cash Book and Banking Ledger ... Page 42
Complete Each Day's Work ..... Page 55
Conducting Business by Correspondence .....
..... Page 101, Par. 470-489
Consignee, Consignor ..... Page 99, Par. 450
Consignment Account ..... Page 128, Par. 595
Consolidation of Corporations ..... Pages 193-195
Constant Attention ..... Page 53
Contingent Fund ..... Page 163
Continued Trial Balance ..... Page 126
Controlling Accounts .....
..... Pages 147, Par. 664; 148, 227-228, 240
Interest ..... Page 241
Cooperage ..... Page 129, Par. 604
Copartnership Agreement ..... Pages 94-96
Filing ..... Page 96, Par. 431
Copying Letters ..... Page 225
Copyright ..... Page 243
Corporations ..... Pages 158-197
Changed to Proprietorship ..... Page 187
Compared with Partnership ..... Page 158
Corporate Seal ..... Page 166
Signature ..... Page 166
Corrections—How to Make ..... Page 49, Par. 296-299
Cost Accounting ..... Page 237
Counter Entries ..... Page 49, Par. 293
Credit ..... Page 2, Par. 12; 211
Cross Entry ..... Page 49, Par. 294
Cumulative Voting ..... Page 162
Customers' Ledger ..... Page 111, Par. 515
Daily Cash Balance Book ..... Page 84
Deposits ..... Page 44, Par. 281
Reminder ..... Page 53, Par. 322
Trial Balance ..... Page 54, Par. 336
Day Book ..... Page 121, Par. 569
Explanation ..... Page 121, Par. 570
Form of ..... Page 122
Opening Entry ..... Page 123, Par. 573
Book and Journal Combined ..... Page 214
Days of Grace ..... Page 30, Par. 200
Debit ..... Page 2, Par. 11; 211
Deferred Stock ..... Page 161
Deficiency Account ..... Page 215
Denominations Required ..... Page 235
Deposits ..... Page 9, Par. 43; 49, Par. 300
Daily ..... Page 44, Par. 281
Deposit Slips ..... Page 9, Par. 46
Use of ..... Page 226
Directions for First Posting ..... Pages 13-18
For Second Posting ..... Pages 28-29
For Third Posting ..... Page 32
For Closing Books ..... Page 55
Discount ..... Pages 80, Par. 392; 105, Par. 508
Disposal of ..... Page 224
For Advance Payments ..... Page 129, Par. 605
Mdse ..... Pages 76, Par. 383; 245
Rates ..... Page 44, Par. 284
Register ..... Pages 200-201
Time ..... Page 75, Par. 381
Trade ..... Page 73, Par. 376
Dishonoring Drafts ..... Page 67, Par. 355
Discounting Notes at Bank ..... Page 73, Par. 370
Disposal of Discounts ..... Page 224
Of Notes when Paid ..... Page 31, Par. 210
Dissolution of Corporations ..... Pages 160, 186
Of Partnership ..... Pages 114-115
Dividend ..... Pages 162-163
Account ..... Page 182
Borrowing Money to Pay ..... Page 185
Certificate ..... Page 163
Crediting ..... Page 185
Declaring ..... Page 163
Fictitious ..... Page 163
Preferred ..... Page 163
Receipt Book ..... Page 182
Stock ..... Page 163
To Pass ..... Page 163
Double Entry Bookkeeping ..... Page 1, Par. 6; 211
Draft ..... Pages 65-67
Bank ..... Page 66, Par. 350
Dishonoring ..... Page 67, Par. 355
Drawee, Drawer ..... Page 65, Par. 346
Drawn after Date ..... Page 67, Par. 354
Drawn after Sight ..... Page 67, Par. 353
Form ..... Page 65, Par. 347-348
How to Write ..... Page 65, Par. 346
Including Exchange ..... Page 226
Parties to ..... Page 65, Par. 346
Sight ..... Page 65, Par. 347
Theory of ..... Page 65, Par. 346
Time ..... Page 65, Par. 345
Drayage ..... Page 101, Par. 464
Account ..... Page 245

Dry Goods Business ..... Page 118
Due Bills ..... Page 217
Duplicates ..... Pages 8, Par. 42; 72, Par. 367-368
Eleven Method of Proof ..... Pages 140, 231-238
Enclosures ..... Page 102, Par. 481
Endorsee ..... Page 223
Endorser ..... Page 29, Par. 190
Entering Railroad Claims ..... Page 247
Entry ..... Pages 1, Par. 9; 211
Adjusting ..... Page 49, Par. 295
Best Way to Make ..... Page 53, Par. 326
Closing ..... Page 39, Par. 250
Counter ..... Page 49, Par. 293
Cross ..... Page 49, Par. 294
Double ..... Page 1, Par. 6
Explanation of ..... Pages 1, Par. 9; 48, Par. 292; 121, Par. 570
How Made ..... Page 3, Par. 15
Single ..... Pages 1, Par. 7; 121, Par. 570
Transfer ..... Page 143, Par. 647
Equated Date ..... Page 128, Par. 596
Errors—How to Find ..... Page 238
How to Prevent ..... Page 239
Examinations ..... Pages 61, 70, 86, 109, 117, 196, 197
Exchange ..... Page 104, Par. 497
Exchanging Merchandise ..... Pages 103, Par. 490; 244
Exercises in Journalizing .. Pages 63, 71, 79, 110, 126, 127
Expense Account ..... Page 77
Explanation of Entries.... Pages 1, Par. 9; 48, Par. 292
Express and Telegraph Orders ..... Page 227
Extensions ..... Page 7, Par. 38
Fictitious Dividend ..... Page 163
Payee ..... Page 103, Par. 491
Figures and Penmanship ..... Page 48, Par. 291
Filing Articles of Agreement ..... Page 96, Par. 431
Commercial Papers ..... Page 8, Par. 40
Invoices ..... Pages 42-43, 145, Par. 658
Letters ..... Pages 102, Par. 483; 225
Papers ..... Page 102, Par. 484
Financial Exhibits ..... Pages 34, 59, 92, 107, 108, 116, 142, 144, 181, 188, 214, 215, 216
Quantity ..... Page 211
Firm Name ..... Page 94, Par. 415
First Opening of Books ..... Page 241
Folio ..... Page 13, Par. 61
Footing Tests ..... Page 202
Forfeited Stock ..... Page 175
Form of Bill without Discount ..... Page 44
With Discount ..... Pages 52, 75, 76
Of Promissory Note ..... Page 30, Par. 203
Of Statement of Account ..... Pages 68-69
Forwarding Footings ..... Page 44, Par. 283
Four-Column Journal ..... Pages 89, Par. 400; 90-91
Fractional Parts of a Cent ..... Page 52, Par. 321
Franchise ..... Page 160
Freight Account ..... Page 245
Claims ..... Page 246
Claim Blank ..... Page 248
Drayage, Express ..... Page 101, Par. 464
Fuel ..... Page 241
Fund, Contingent ..... Page 163
Rest ..... Page 163
Reserve ..... Page 163
Sinking ..... Page 163
Furniture and Fixtures ..... Page 99, Par. 442
Gains ..... Page 32, Par. 226
Unusual ..... Page 243
General Merchandise Business ..... Page 133
Review, Pages 62-64, 70-71, 109-110, 126-127, 196-197
Good Figures ..... Page 55, Par. 343
Good Will ..... Pages 241, 242
How Measured ..... Page 242
Guaranteed Stock ..... Page 161
Guaranty ..... Page 221
General Form of ..... Page 221
Indorsed on Note or Other Paper ..... Page 221
Handling C. O. D. Orders ..... Page 120
Hardware ..... Page 121
Holidays for Business Offices ..... Page 12, Par. 50
How Checks are Certified ..... Page 210
To Find Errors in Trial Balance.... Pages 238-239
To Handle Freight Claims ..... Pages 247-248
To Make Corrections ..... Page 49, Par. 296
To Make Shipments ..... Page 100, Par. 460
To Close Shipments ..... Page 100, Par. 462
To Order ..... Page 8, Par. 42
To Operate the Voucher System. Page 145, Par. 658
To Prevent Errors in Trial Balance. Pages 239-240
To Use Voucher Record..... Page 145, Par. 659
To Write Notes ..... Page 29, Par. 192
Inclosures ..... Page 102, Par. 481
Indexing the Ledger ..... Page 21
Indorser ..... Page 29, Par. 190
Indorsee ..... Page 222
Indorsement ..... Pages 9, 44, 222-223
Imprest Petty Cash Book ..... Pages 85-86
Insolvency Account ..... Page 242
Inspection of Bill Register ..... Page 49, Par. 303
Installment ..... Page 164
Book ..... Page 183
Scrip ..... Page 164
Installing Controlling Accounts ..... Pages 227-228
Insurance ..... Pages 129, Par. 601; 225
Interest, Legal Rate..... Pages 76, Par. 385; 80, Par. 392
And Discount Inventory ..... Pages 105-106
On Note ..... Page 96, Par. 437
Inventory, Definition ..... Page 35
Chattels ..... Page 60
Closing ..... Pages 35, 105-106
Discount ..... Pages 105-106
Expense ..... Page 60
Freight ..... Page 35
Furniture and Fixtures ..... Page 60
Interest ..... Pages 105-106
Liability ..... Pages 35, 105-106
Miscellaneous ..... Page 105
Resource ..... Page 105-106
Shipments ..... Page 60
Invoice ..... Page 7, Par. 35; 77
Book ..... Page 43
Form of ..... Pages 8, 44, 72, 74, 75, 76, 152-156
Register and Tell Tale Combined..... Pages 42-43
Shipping ..... Page 100, Par. 459
Itemizing Sales on Account ..... Page 53
Job Ticket ..... Page 236
Jobbing Business ..... Page 2
Joint Stock Co. ..... Page 196
Journal ..... Pages 1, 213
Forms of.. Pages 3, 22-25, 37-39, 87, 88, 90, 119, 134

Journal Entries .....Pages 2, 22-25, 87-88, 90-91, 97-98, 119, 134-139, 140, 173, 174, 175, 184-185, 187, 188, 190, 191, 192, 193, 194, 206, 213
Ledger and Trial Balance Book.....Page 202
Journalizing.....Pages 3, 22-25, 63, 71, 79, 110, 126-127
Judgment .....Page 243
Key to Commercial Rating .....Page 230
Laws of Debit and Credit .....Page 3, Par. 15
Of Carriers .....Page 246
Lead Pencil Work .....Page 72
Lease—Short Form .....Page 221
Ledger .....Pages 1, 214
Classification of .....Page 227
Closing .....Pages 35-41, 93
Headings .....Page 72, Par. 364
Self-Balancing .....Pages 227, 240
Transferring Accounts from .....Page 48, Par. 285, 290
Legal Rate of Interest .....Page 76, Par. 385
Letters of Credit .....Page 227
Liability .....Page 32, Par. 223
Inventory .....Pages 35, 105-106
Of Corporations .....Page 160
Limited Corporations .....Page 164
Liquidation .....Page 125
Loan .....Page 99, Par. 443
Loss and Gain Account..Pages 36, 40, 77, 93, 144, 181, 195
Loss Posted to Resource Account .....Page 242
Losses .....Page 32, Par. 228
Unusual .....Page 243
Mail Orders .....Page 102, Par. 479
Maker of Note .....Page 29, Par. 190
Machinery Account .....Page 150
Manifest .....Page 246
How to Make Out.....Page 247
Manufacturing Account .....Page 150, Par. 670
Market Value .....Page 164
Maturity of Commercial Papers....Page 51, Par. 307; 71
Of Notes .....Page 30, Par. 199
Measure of Good Will .....Page 242
Memorandum of Credit .....Page 114
Mercantile or Commercial Agencies.....Page 229
Terms .....Pages 249-254
Merchandise Account .....Pages 26-27, 63, 93, 234, 244
Closing .....Pages 35-41, 93, 244
Merchandise Discount .....Pages 76, 244
Closing .....Pages 35-36, 245
Merchandise Exchange Account .....Page 244
Closing .....Pages 35-36, 244
Merchandise Retd .....Page 35
Closing .....Pages 35-38, 245
Merits of Check Figure Systems.....Pages 141, Par. 635-636; 231-234
Minute Book .....Page 167
Miscellaneous, Questions and Answers.....Page 78
Inventory .....Page 105
Miscellany .....Page 240
Modern Forms and Methods.....Page 51, Par. 315
Modified Voucher Method .....Page 157
Money .....Page 226
For Pay Rolls .....Page 210
National Bank .....Page 198
Negotiability .....Page 217
Negotiable Words .....Page 217
Net Cash .....Page 76, Par. 384
Nine-Column Journal .....Pages 118-119
Nine Method of Proof .....Page 231
Nineteen Method of Proof .....Pages 235, 238
Ninety-nine Method of Proof .....Pages 235, 238
Nine Hundred Ninety-nine Method of Proof.....Pages 235, 238
Notes .....Pages 29, 99, 217-219
Payable at Bank .....Page 73, Par. 374
Promissory .....Page 29, Par. 189
Receivable .....Page 49, Par. 301
Renewing .....Page 96, Par. 435
Omission in Consolidating Companies.....Page 195
One Hundred One Method of Proof.....Pages 235, 238
Thousand One Method .....Pages 235, 238
Open Consignments .....Page 128, Par. 598
Opening Bank Books .....Page 199
Books, Single Proprietor .....Pages 2, Par. 14; 3, Par. 15, 17; 90
Corporation .....Pages 173-174
Entry .....Pages 2, 3, Par. 15; 89, 90, 97, 118, 133, 144, 173-174, 190-191, 199, 241
First .....Page 241
Partnership .....Pages 96, Par. 434; 97
With Private and Stock Account. Page 144, Par. 651
Operating Capital .....Page 162
Oral Communication .....Page 101, Par. 477
Orders .....Page 8, Par. 41; 219
Miscellaneous .....Page 219
Purchase .....Page 8, Par. 41-42
Order Book .....Page 112, Par. 524
Sheet .....Page 112, Par. 525
Organization of Corporations.....Pages 158-159, 189-193
Outstanding Shipment .....Page 101, Par. 463
Overcharges .....Page 247
Overdrawing Bank Account .....Page 44, Par. 282
Part Payment of Note .....Page 51, Par. 312
Parties to Note .....Page 29, Par. 190
Partnership .....Page 94, Par. 419
Par Value .....Page 164
Pass Book .....Page 41, Par. 265
And Banking Ledger Compared.....Page 42, Par. 267-273
Balancing .....Page 54, Par. 337-341
Patent .....Page 243
Payee .....Page 29, Par. 190
Pay Rolls .....Page 235
Paying Teller .....Page 198
Personal Accounts .....Page 73, Par. 369
Petty Account .....Pages 142-143
Cash Account .....Pages 85-86
Pivotal Account .....Page 241
Plant .....Page 162
Postage .....Page 102, Par. 480
Account .....Page 242
Postdate .....Page 103, Par. 493
Posting .....Pages 13, 28, 32
Commission Charges.....Page 129, Par. 610
First .....Page 13
From Cash Book.....Page 80, Par. 387, 388, 389, 392, 397
From Columnar Journal .....Page 89, Par. 403
From Nine-Column Journal....Page 118, Par. 560
From Petty Cash Book.....Page 85
From Purchase Book.....Page 43, Par. 279
From Sales Book.....Page 56, Par. 344
From Single Entry Books.....Page 123, Par. 571

Posting, From Sixteen-Column Journal.....Pages 133, Par. 623; 140, Par. 628
From Voucher Record.....Pages 146, Par. 662; 147, 664
Important Points.....Page 72, Par. 365
Proofs of .....Pages 140, 231-235, 238-240
Second .....Page 28
Third .....Page 32
Postoffice Money Order .....Page 226
Powers of Corporations .....Page 159
Power of Attorney .....Page 242
Precedence of Closing Accounts .....Page 241
Preferred Stock .....Page 161
Prepaying Your Own Note.....Page 73
Preparing a Balance Sheet.....Page 33
Present Worth .....Page 32, Par. 224
Primitive Bookkeeping .....Page 212
Principles of Double Entry Bookkeeping.....Page 3, Par. 15
Private Account .....Pages 89, 143-144
Bank Account.....Page 144, Par. 652
Bank .....Page 198
Closing .....Page 143, Par. 650
Cost Mark .....Page 224
Ledger .....Pages 227-228
Opening .....Pages 89, Par. 408; 144, Par. 651
Transfer Entry.....Page 143, Par. 647
Proceeds .....Page 99, Par. 452
Produce and Provision Business.....Page 94
Promissory Notes.....Pages 29, Par. 189; 99, 217-219
Proofs of Addition .....Page 231
Bookkeeper's Method .....Page 231
Eleven Method .....Page 232
Nine Method .....Page 231
Nineteen Method .....Page 235
Seventeen Method .....Page 235
Thirteen Method .....Page 232
Unitate Method .....Page 231
Of Posting.....Pages 124, 140, 231-235, 238-241
Proprietor's Stock Account.....Pages 36, 77
Purchase Book .....Pages 43, 111
Ledger .....Page 228
Order .....Page 8, Par. 41
Questions and Answers .....Pages 62-63, 70-71, 77-79, 109-110, 126-127
Quorum .....Pages 162, 165
Railroad Claims .....Page 247
Rate of Commission .....Page 128, Par. 594
Reasons for Making Shipments.....Page 100, Par. 453
For Using Red Ink .....Page 36
Rebates and Returns .....Page 244
Receipts .....Pages 88, 219-221
Receiving Book .....Page 131
Teller .....Page 198
Reference Book .....Page 230
Registered Letters .....Page 226
Regular Meeting .....Page 165
Renewing Notes .....Page 96, Par. 435
Reserve Fund .....Page 163
Resources or Assets .....Page 32, Par. 222
Rest Account .....Page 163
Retail C. O. D. Orders .....Page 120
Retail Hardware Business .....Page 121
Returned Checks .....Page 99, Par. 447
Returned Merchandise .....Pages 35, 36, 244
Returns and Rebates .....Page 244
Review .....Pages 62-64, 70-71, 77-79, 109-110, 126-127, 196-197
Ruling Exercise .....Page 45
Suggestions on .....Page 38
Safeguard Check Systems...Pages 140, Par. 633; 231-234
Application .....Pages 140, 231-234
Trial Balance by .....Page 234
Sales Book .....Pages 56-58, 112, Par. 526
Common Form .....Pages 57-58
Journal .....Page 112
Ledger .....Page 228
Special Form .....Pages 150-151
Sale Subject to Draft.....Page 103, Par. 485
Savings Bank .....Page 198
Self-Balancing or Self-Proving Ledgers...Pages 227, 240
Settling Date .....Page 12, Par. 54
Seventeen Check Figure Method .....Page 235
Shipments .....Page 99
Commission .....Page 99, Par. 451
Consignee, Consignor .....Page 99, Par. 450
How to Make .....Page 100, Par. 460
In Bond .....Page 246
Invoice .....Page 100, Par. 459
Receipt .....Page 100, Par. 456
Shipment Account .....Page 100, Par. 454
Shipping Goods .....Page 102, Par. 482
C. O. D. by Express .....Page 120
C. O. D. by Freight .....Page 120
In Bond .....Page 246
Invoice .....Page 100, Par. 459
Receipt .....Page 100, Par. 456
Signature at Bank .....Page 4
Book .....Page 4
Card .....Page 4
Corporate .....Page 166
Individual .....Page 241
Single Entry Bookkeeping .....Pages 1, 121-125
Account .....Page 123, Par. 579
Balance Sheet .....Page 124, Par. 582
Books .....Pages 121-123
Cash Book .....Page 123, Par. 575
Changing from Single to Double.Page 125, Par. 589
Changing from Double to Single.Page 125, Par. 591
Day Book .....Page 121, Par. 569
Journal .....Page 121, Par. 570
Ledger .....Page 123, Par. 578
Opening Entry .....Page 123, Par. 573
Sinking Fund .....Page 163
Six-Column Journal .....Pages 96-98
Sixteen-Column Journal .....Pages 133-140
Special Column Cash Book.....Page 149
Spot Cash .....Page 243
Statement of Account .....Page 67
Forms of .....Pages 68-69
Of Affairs .....Page 215
State Bank .....Page 198
Steps in Closing Books .....Page 92
Stipulation as to Value of Goods .....Page 246
Stock .....Page 94, Par. 416
Canceled .....Page 187
Capital .....Page 161
Certificate .....Page 170
Certificate Book .....Page 169
Choice of .....Page 160
Common .....Page 161
Deferred .....Page 161

Stock Dividend ..... Page 163
Exchange ..... Page 164
Forfeited ..... Page 175
Guaranteed ..... Page 161
Journal ..... Pages 176-177
Ledger ..... Pages 178-180
Non-assessable ..... Page 161
Ordinary ..... Page 161
Preferred ..... Page 161
Sold at Discount ..... Page 175
Sold at Par ..... Page 174
Sold at Premium ..... Page 175
Surrendering ..... Page 187
Subscription Book ..... Page 169
Transferring ..... Page 187
Treasury ..... Page 161
Wanted ..... Page 161
Stockholder ..... Page 162
Stoppage in Transitu ..... Page 246
Storage ..... Page 129
Subdivision of Accounts ..... Page 212
Suggestions on Ruling ..... Page 38
Summary Account ..... Pages 35-36
Surplus Fund ..... Page 163
Account ..... Page 182
Appropriation ..... Page 188
Suspense Account ..... Pages 104, 224
Suspended Account ..... Page 224
Syndicate ..... Page 165
Tanning Business ..... Pages 145-157
Taxes ..... Page 241
Testing Bills Payable Account ..... Page 54
Bills Receivable Account ..... Page 54
Cash ..... Page 81
Footings ..... Pages 133, Par. 625; 145, Par. 655
Merchandise Account ..... Page 54
Thirteen Method of Proof ..... Pages 232-234
Ticket, Job or Time ..... Page 236
Time Book ..... Page 235
Discount ..... Page 75, Par. 381-382
Register Clock ..... Page 236
Trade Discount ..... Page 73, Par. 376
Mark ..... Page 242
Transfer Book ..... Page 176
Entry ..... Page 143, Par. 647
Journal ..... Page 176
Transferring Accounts to a New Ledger ..... Page 48, Par. 290
Transferring Balances ..... Pages 38, 203
Footings ..... Pages 26-27, 38
Ledger Accounts ..... Page 48, Par. 285
Stock ..... Page 187
Transmission of Money ..... Page 226
Transpositions ..... Page 238
How to Find ..... Pages 235, 238
Transplacements ..... Page 238
How to Find ..... Pages 235, 238
Traveling Expenses ..... Page 242
Treasury Stock ..... Page 161
Given in Exchange for Mdse ..... Page 185
Trial Balance by Differences ..... Page 27, Par. 153
By Totals ..... Pages 18, Par. 103; 34, 78, 92, 107, 108, 124, 144
Continued ..... Page 126
Daily ..... Page 54, Par. 336
Form of ..... Pages 19, 34, 92, 107, 108, 144
How to Take ..... Pages 19, 28
Questions and Answers on ..... Page 78
Trust ..... Page 164
Two Sets of Corporate Books ..... Page 166
Unitate Method of Proof ..... Page 231
Unpaid Commercial Papers ..... Page 210
Unusual Losses or Unusual Gains ..... Page 243
Use of Deposit Slips ..... Page 226
of Note Stub ..... Page 29, Par. 191
Value ..... Page 1, Par. 10
Various Bookkeeping Methods and Requirements ..... Page 224
Vocabulary of Commercial Terms ..... Pages 249-254
Voting by Proxy ..... Page 162
By Stockholders ..... Page 162
Voucher Record ..... Page 145, Par. 655
Checks ..... Pages 152-157
Form of ..... Pages 146-147
Posting from ..... Page 146, Par. 662-664
Proof of ..... Page 145, Par. 655-657
Voucher System ..... Pages 145-157
Applicability of ..... Pages 151, Par. 672
Closing Books of ..... Page 151, Par. 671
Modified ..... Page 157
Waiver of Notice ..... Page 165
Waive Protest ..... Page 242
Watered Stock ..... Page 161
Wholesale C. O. D. Freight Orders ..... Page 120
Without Recourse ..... Page 223
Working or Operating Capital ..... Page 162

If a father wishes to give his son a legacy better than houses, lands, gold or silver, let him give him a practical business education.—*Horace Mann.*

Without a thorough and practical business education, a business man is like a ship at sea without a compass or rudder.—*Hon. W. T. Harris, Commissioner of Education.*

STUDENT'S GUIDE

TO THE

Mankato Commercial College System of Teaching Bookkeeping and Business Practice

DEFINITIONS AND PRINCIPLES

1. Bookkeeping in its general sense is the art of keeping a more or less classified record of the values exchanged in business transactions. The record is made on ruled forms or books, called books of account. The books of account will be described as the student is called on to use them The Journal and the Ledger are the first books to be used.

2. Journal.—The word Journal comes from the French "jour," which means day. It is therefore a Day Book, and is often spoken of as the Journal-Day Book or Day Book-Journal. It is the book in which the transaction is first recorded, journalized, put in a bookkeeping form, showing its debit and its credit; and hence is called a book of "original entry."

3. Ledger.—The word Ledger, from the Dutch "legger," to rest, means to lie, or to rest. It is the book to which the debits and the credits of the several transactions are transferred, and grouped under accounts, each debit or credit being collected under its proper class. As entries are transferred from other books to the Ledger, the Ledger is called the book of "subsequent entry."

4. Business Transaction.—A business transaction is an exchange of values.

5. Two Methods of Bookkeeping.—Complete or incomplete classification gives rise to two methods of bookkeeping, Double Entry and Single Entry.

6. Doubly Entry.—If the classification is complete and the corresponding values received and given are named in the record, the method is called Double Entry; because for every value received the corresponding value given is named in the record; hence two entries or Double Entry. Double Entry is both a science and an art. It has complete classification. Double Entry Bookkeeping, then, may be defined as that method of recording the values exchanged in business transactions in such manner that they will balance or prove themselves beyond a reasonable doubt and from which an exhibit of the true condition of a business can be made. From this it will be seen that Double Entry Bookkeeping is in its entirety as a system a mathematical science and is properly expressed in an equation, as 4=4, 10=10, x=x. If at any time this equality is destroyed the books are said to be "out of balance."

7. Single Entry.—If the classification is incomplete and only a value received or a value given is named in the record (and in strictly Single Entry only values pertaining to personal accounts are recorded), the method is called Single Entry; because only a value received or a value given is named in the record of a simple transaction. Single Entry can hardly be called a science. It lacks the complete classification of a science. It also lacks the self-proving feature of Double Entry. As it lacks complete classification, its record is not susceptible of full and complete exhibit of the true condition of a business, and it is therefore of little value compared with Double Entry.

8. Account.—When the names of the several classes of related values are collected under a common heading, the heading is called an Account.

9. Entry.—An Entry is the record of a transaction showing the name of the value received and of the value given in Double Entry; or only the name of the value received or the value given in Single Entry.

A brief but clear explanation should accompany each entry.

10. Value.—Value is the estimated worth of things or services, and is measured by dollars and cents, or the money of the country where the business is conducted. The values received are called Debits; the values given are called Credits.

Laws.—The laws of the science of Double Entry Bookkeeping are based on the equilibrium of Debits and Credits.

11. Debit.—To debit an account (the name of the value received) is to write the name of the account in the left-hand or debit position of a ruled form or book of account and to set the amount in the left-hand or debit money column. The debit position in the Journal is next to the date column

12. Credit.—To credit an account (the name of a value given) is to write the name of the account in the right-hand or credit position of a ruled form or book of account and to set the amount in the right-hand or credit money column. The credit position in the Journal is an inch or an inch and a half to the right of the date column.

Application of the Art.—The specific directions for the application of the principles or laws to the art of Double Entry Bookkeeping will be found in paragraph 15.

SPECIAL SUGGESTIONS

In bookkeeping, as in other things, it is important to *begin right.* First in importance is ***Neatness.*** Rigidly avoid finger marks, blots, erasures, etc. Keep your hands clean, and your desk and books free from dust. Remember that in bookkeeping, slovenliness is the unpardonable sin.

Do not leave your books open when you are not using them, and never place a book upon an open book, or make out business paper upon an open book.

Use the blotter freely, and keep it under your hand when you write. Use but one side of the blotter for absorbing ink; write the word "Up" on the side on which the hand is to rest.

Be careful to keep your hand and pen in the correct position.

Use pen and ink in all your work, and avoid writing with too much, or not enough, ink on your pen.

In making out papers, use the current date (the date on which you are working) and your own name.

Whenever you are in doubt about the proper procedure, consult your Guide; *under no circumstances* trouble your teacher about any matter until you have attentively read all instructions pertaining to it, and have given your difficulty careful thought.

Be methodical and orderly in taking care of your books, stationery, etc. Have a place for everything and keep it there.

In effecting a business transaction, there are often several things to be done; learn to do these in their *proper order.*

Follow your directions to the letter, and *never attempt to carry out a direction until you have read the instructions concerning it.*

Constantly observe the above suggestions, and you will make success certain; disregard these and grow careless, slovenly, and disorderly in your work, and you will as surely fail.

If you have carefully read the above instructions, you may turn to the Business Directions.

THE JOBBING BUSINESS

13. For convenience, the first business in which you engage will be called the Jobbing Business. A Jobber is one who buys merchandise from the manufacturer and sells to the retailer. A jobber or wholesaler buys in large or small quantities to suit the convenience of his trade, and he sometimes buys special orders for his customers. In modern business there is practically no difference between the wholesaler and the jobber, and the terms are often used interchangeably.

OPENING ENTRY

14. The first procedure in bookkeeping is to ***open the books.*** This is done by writing in the Journal a preliminary statement, called an ***Opening Entry.*** The Opening Entry formally sets forth the name, conditions, proprietorship, and investments of the business.

With the exception of the date, place of business, and name of the proprietor, the following Opening Entry, paragraphs 16 and 17, is the form required for the Jobbing Business. Make a copy of this on Journal paper, using your own name, town or city, the current date, and name and number of the street for the business you are to conduct.

The debits and the credits are made in accordance with the following Principles of Double Entry Bookkeeping:

15. The Principles of Double Entry Bookkeeping (often called "Rules for Journalizing" or "Laws of Debit and Credit") may be set out under three heads, as follows:

(1) **In Double Entry Bookkeeping, the debit entry (or entries) must equal the credit entry (or entries).**
(2) **Debit** (*a*) **what comes into the business, or** (*b*) **what costs the business; or** (*c*) **debit Resources and Losses.**
(3) **Credit** (*a*) **what goes out of the business, or** (*b*) **what produces; or** (*c*) **credit Liabilities and Gains.**

The required Journal entries for a variety of transactions are given in the various Journal forms in this Guide. See below and pages 22, 23, 24, 25, 87, 88, 90, 91, 97, 98.

Battle Creek, Mich., Sept. 5, 1909

		Dr	Cr
16.	I (Student's Name) have on this day leased the building at No. 8, Clark St. for the purpose of conducting a General Jobbing Business, with a Cash Investment of $5000.00		
	Cash	5000	
17.	Student's Name, Stock		5000
	For Investment		
	1. Cash is debited because it "comes into the business." (2) (a) Par. 15. Student is credit because he "produces." (3) (b) Par. 15.		
	Expense	100	
18.	Cash		100
	Rent for 1 mo. Ck. No. 1		
	2. Expense is debited because it "costs the business." (2) (b) Par. 15. Cash is credited because it "goes out of the business." (3) (a) Par. 15.		
	Mdse	207	
19.	Cash		207
	Gave College Prod. Co. Ck. No. 2 for Inv. No. 1		
	3. Mdse is debited because it "comes into the business." (2) (a) Par. 15. Cash is credited because it "goes out of the business." (3) (a) Par. 15.		
	Cash	12350	
20.	Mdse		12350
	Am. Mdse. Co's Ck. No. 46 for Mdse. Sale		

SIGNATURES AT THE BANK

21. Banks require all depositors to leave their *Signatures* when making their first deposits, so that the bank may have some absolute method of determining the genuineness of checks or other paper offered for payment. Sometimes these signatures are kept in a Signature Book. In this book the depositor places his name in full, his signature, his address, and the date of opening the account. The more modern plan for keeping depositors' signatures and addresses is to have cards properly ruled for this purpose, the depositor placing his signature on the card, and the bank filling in any other information they desire. The accompanying forms illustrate the card method and the book plan.

22. You should study these very carefully because the bank will require you to leave your signature when you make your first deposit. It would be well for you, at this time, to submit a signature to your teacher for approval, that he may assist you in determining the best signature for you to adopt. It is a mistaken idea that a complicated signature with many curls and turns is difficult to forge. The plain signature without any additional marks of any kind is the most difficult to duplicate. When you determine upon a method of signing papers, the signature should never be varied, but all papers should be signed the same.

2642.
B. W. Miller,
128 West St.,
Battle Creek, Mich.

(Savings Dept.)

AUTHORIZED SIGNATURE
(GIVE OFFICIAL TITLE IF ANY.)

Name. O. C. Davis

Address. 421 South Ave
P. O. Box 2345

(Commercial Dept.)

Signature Book

SURNAME	GIVEN NAME	SIGNATURE	ADDRESS	DATE
Burton	Henry B.	H. B. Burton	218 Clark St.	Sept. 10, 190

CHECKS

23. A Check is a written order by a bank depositor directing the bank to pay a specified amount to some person named in the check, or to his order, or to the bearer. If the maker of a check desires to cash it himself, he should make the check payable to himself, or to cash. Unless otherwise specified, checks are always payable on demand.

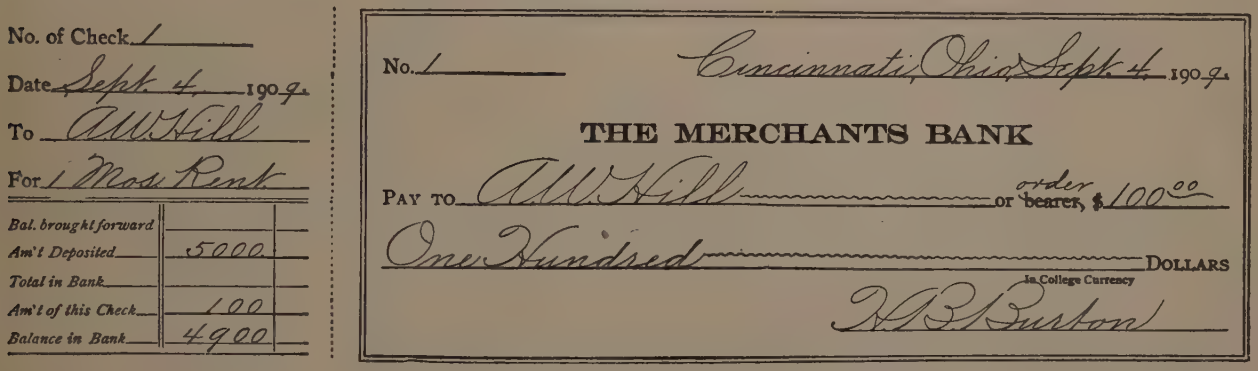
24. The Check-Book is a book of blank checks from which the depositor obtains his checks whenever he wishes to draw money from the bank. A check-book should be arranged so that the checks may be torn out, leaving a stub showing the number of the check, the date of the check, to whose order it is payable, for what given, and the amount. Many check stubs are ruled so as to allow the keeping of the bank account on the check stub, which will be done later in the student's work. At the present time, however, the student will keep his bank account by means of a *Banking Ledger*, which is a book specially prepared for this work.

CHECKS — Continued

25. In writing a check, care should be taken that the body of the check exactly agrees with the stub, and the check stub should always be filled out before the check itself is written. This is done to avoid error in filling out the stub, as you will not forget to fill out the stub if you write the stub before you write the check.

26. The person to whom the check is payable is called the payee, and the person who signs the check is called the drawer or maker. In the following check A. W. Hill is the payee, and H. B. Burton is the maker; while the Merchants Bank is the payer of the check, or the bank on whom it is drawn.

27. In your present work you will make out all required checks in accordance with the following form; writing your own town, state, and current date in place of "Cincinnati, Ohio, Sept. 10, 1909," and the name of the person to whom you are to give the check instead of the name of "A. W. Hill"; and you will sign your own name exactly as you left your signature at the bank, in place of the name "H. B. Burton."



No. of Check 1
Date Sept 4, 1909
To A W Hill
For 1 Mos Rent

Bal. brought forward		
Am't Deposited	5000	
Total in Bank		
Am't of this Check	100	
Balance in Bank	4900	

No. 1 Cincinnati, Ohio, Sept 4, 1909

THE MERCHANTS BANK

PAY TO A W Hill or order bearer, $ 100 00

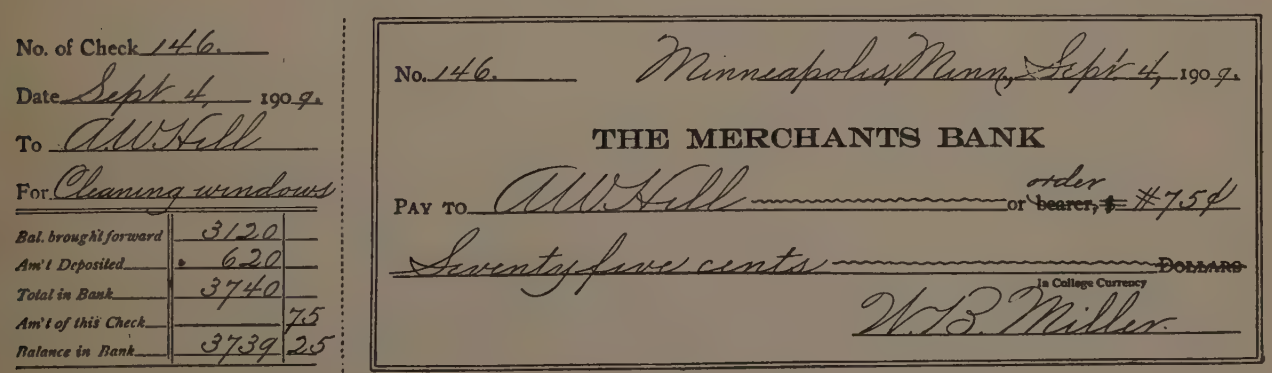
One Hundred DOLLARS

In College Currency

H B Burton

Important Points About Checks

28. You should be careful in writing your checks so that they cannot be easily *raised*. It is a poor policy to write a check for any amount smaller than $1.00. If you desire to write a check for less than one dollar, you should write it in accordance with the following form:



No. of Check 146
Date Sept 4, 1909
To A W Hill
For Cleaning windows

Bal. brought forward	3120	
Am't Deposited	620	
Total in Bank	3740	
Am't of this Check		75
Balance in Bank	3739	25

No. 146 Minneapolis, Minn, Sept 4, 1909

THE MERCHANTS BANK

PAY TO A W Hill or order bearer, $ 75¢

Seventy five cents DOLLARS

In College Currency

W B Miller

29. In writing a check or note, care should be taken to set the figures close to the dollar sign, and to begin well back to the left on the line for writing the amount, so that it will be difficult for anyone to fill in the blank space and fraudulently make the check call for a larger amount than it really should.

30. The law says that unless the drawer exercises due diligence in making out his checks, the bank is not held responsible in the event of the check being "*raised.*"

Important Points About Checks — Continued

31. The following form shows an amount that could be easily raised to a much larger amount, and checks should never be written in this way.

No. 39 Earlham, Ia. May 4, 1909

THE MERCHANTS BANK

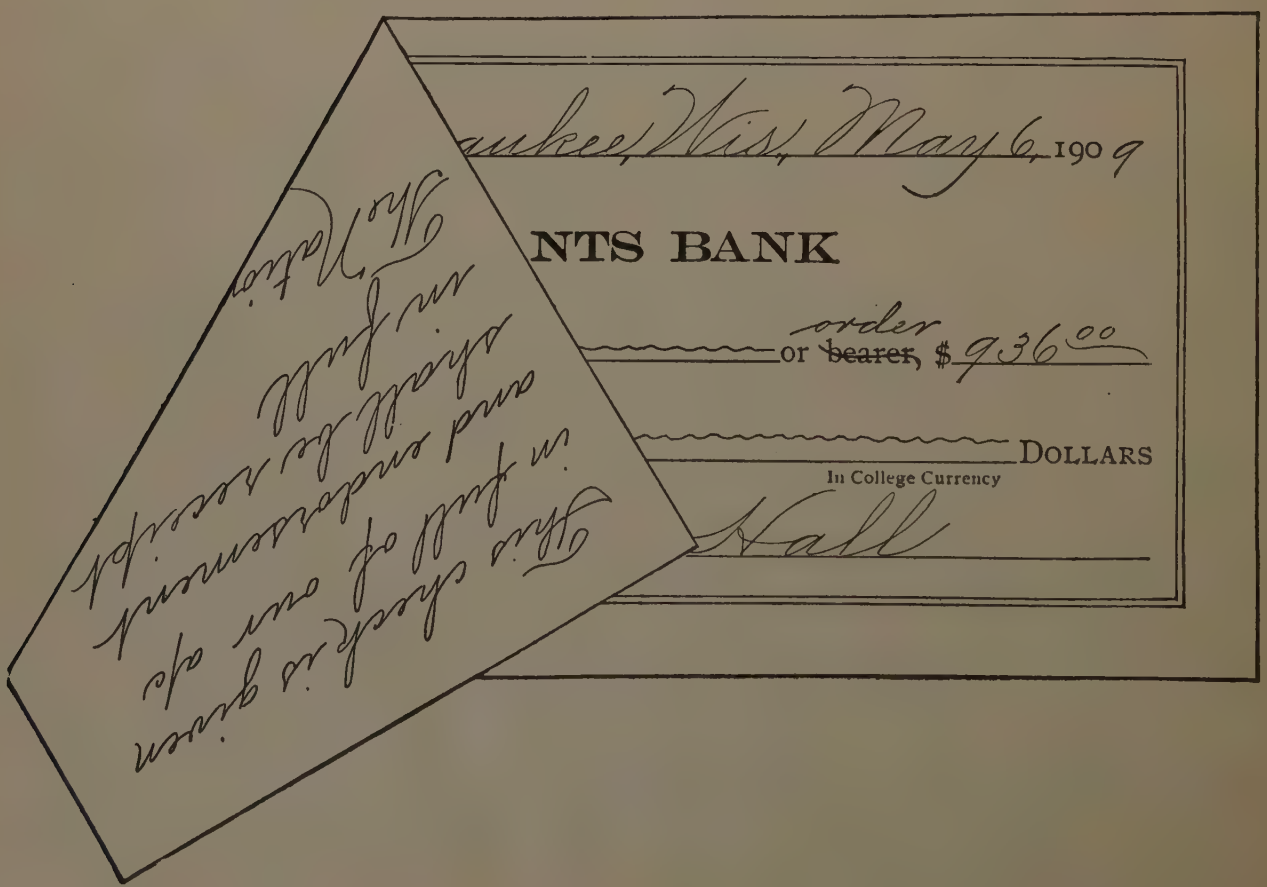
PAY TO James Nelson or ~~bearer~~ order $ 5.00

Five DOLLARS

In College Currency

A. C. Brown

32. If the drawer of a check desires to do so, he may specify on the back of the check, as in the following form, that for which the check is given. This may be written on the face of the check, but it is better not to have any writing not absolutely necessary on the face of a check.



Important Points About Checks—Continued

33. All checks should be promptly cashed or deposited to the credit of the holder. When the maker of the check is a responsible party and his credit is beyond dispute, there would not generally arise any harm in holding his check for a few days; but if a check should be held more than a reasonable length of time, and the bank on which the check was drawn failed in the meantime, the debt for which the check was given would be discharged, provided the maker had money on deposit at the time the check was written. This court decision rests on the ground that the holder of the check did not exercise *due diligence* in obtaining his money.

34. A large number of checks now in use by business houses resemble drafts. See accompanying form.

No. 638 Chicago, Ill. May 28, 1909.

At Sight PAY TO THE

ORDER OF W. B. Manning $361.42

Three Hundred Sixty one and 42/100 DOLLARS

College Currency

Value received and charge the same to account of

To Merchants Bank
Chicago, Ill.

A. C. Davis

BILLS AND INVOICES

35. When you sell goods at wholesale, the buyer should be given a complete list of the goods, together with the terms, prices, and discounts at which they are sold. Such a list is known either as a ***Bill*** or an ***Invoice.*** When the list is spoken of by the *buyer*, it is usually called an *Invoice*, while the *seller* generally speaks of it as a *Bill*, although this distinction is not always made. The term *bill* is also used broadly to denote any statement of indebtedness arising from property sold or services rendered. In this course, the lists of goods that you *purchase*, will be called *Invoices*, while the lists of goods that you *sell*, will be called *Bills*. There is no difference in form between a bill of merchandise and an invoice of merchandise.

36. In billing, be sure that all figures are written in their proper places in the columns, and in such a manner that figures of the same order will stand in vertical columns, thus facilitating their correct addition.

NOTE—When a bill or invoice is paid at the time of sale, it should be receipted by the seller, who writes the word "Paid" or "Received Payment," and signs his name at the foot of the bill. In case there is not room at the foot of the bill, the receipt may be written across the face.

37. Ciphers.—In recording amounts expressed in dollars, it is unnecessary to fill out the cent column with ciphers, as it is a waste of time and serves no good purpose. This custom was formerly observed, but is no longer in vogue among practical accountants. The dropping of ciphers applies only to bills, invoices, and book entries, and not to commercial papers, or to footings or extensions where cents have been added or subtracted.

38. Extensions.— In bills and invoices, the price of each article accompanies its description, and the first double column to the right is used to record the total cost of such articles. This total cost is called an ***Extension,*** and the column containing it is called the ***Extension Column.*** Discounts are also entered in the Extension Column, while the last column should contain only the net amount of the invoice. The illustration at the top of page 8 shows the common form of Bill, or Invoice.

39. Illustrative Invoice.

Moline, Ill. Sept 10 1909

M American Mdse Co.

BOUGHT OF **H. B. BURTON**

DEALER IN GENERAL MERCHANDISE

TERMS Cash

No. 4 ALL CLAIMS FOR SHORTAGE OR DAMAGE MUST BE MADE ON RECEIPT OF GOODS

	10	brls. Flour	5 00	50			
	4	" Pork	20 00	80			
				130			
		Less 5% Cash Dis.		6	50	123	50
		Paid					
		H B Burton					

40. Filing Commercial Papers.—To file papers is to arrange them systematically for future reference. It is very important that the student acquire the habit of properly and promptly disposing of all business papers as soon as they come into his possession. To facilitate your doing this, several filing envelopes are furnished, each having printed instructions regarding its use. Upon receiving any business paper, make the necessary entry pertaining to it, if an entry is required, and then place it, at once, in its proper envelope.

41. Illustrative Purchase Order.—The accompanying illustration shows a common form of Purchase Order.

42. Duplicate.—A carbon (or other form of) duplicate should be kept of every order, for comparison of prices, quantities, etc., when the goods are received. Immediately on receipt of the goods, both the invoice and the goods should be checked with the duplicate. It is well to observe some order in checking: 1. Check the invoice with the order for comparison of quantities, prices, etc. 2. Check the goods with the order, to note any shortage, damage, or imperfect condition of the goods. 3. If any shortage, damage or imperfection or discrepancy in invoice is found, you should immediately notify the wholesale house. Be explicit and as brief as possible in this letter. State exactly what the shortage, damage or imperfection is, and in what class of goods. State clearly whether you want the shortage, etc., made up by additional shipment, or whether you prefer a memorandum of credit.

(PURCHASE ORDER)

No Goods Accepted unless Conditions of this Order are complied with. Always give on Invoice our Order Number, how shipped, and number of bundles, bales, or boxes.

Order No. 29 September 11 *19*

PLATTE GROCERY COMPANY

Dealers in all kinds of Staple and Fancy Groceries

PLYMOUTH, INDIANA

To COLLEGE PRODUCE COMPANY

124 Fourth Street, Cincinnati, Ohio

Please ship by fast freight, on account, subject to 3 per cent dis. if paid in 10 days; otherwise net.

10 Brls.	Flour,	@	$ 5.00
4 "	Pork,	@	20.00
5 "	Beef,	@	12.00
10 "	Salt,	@	4.00

Platte Grocery Company,

BY T. D. PLATTE.

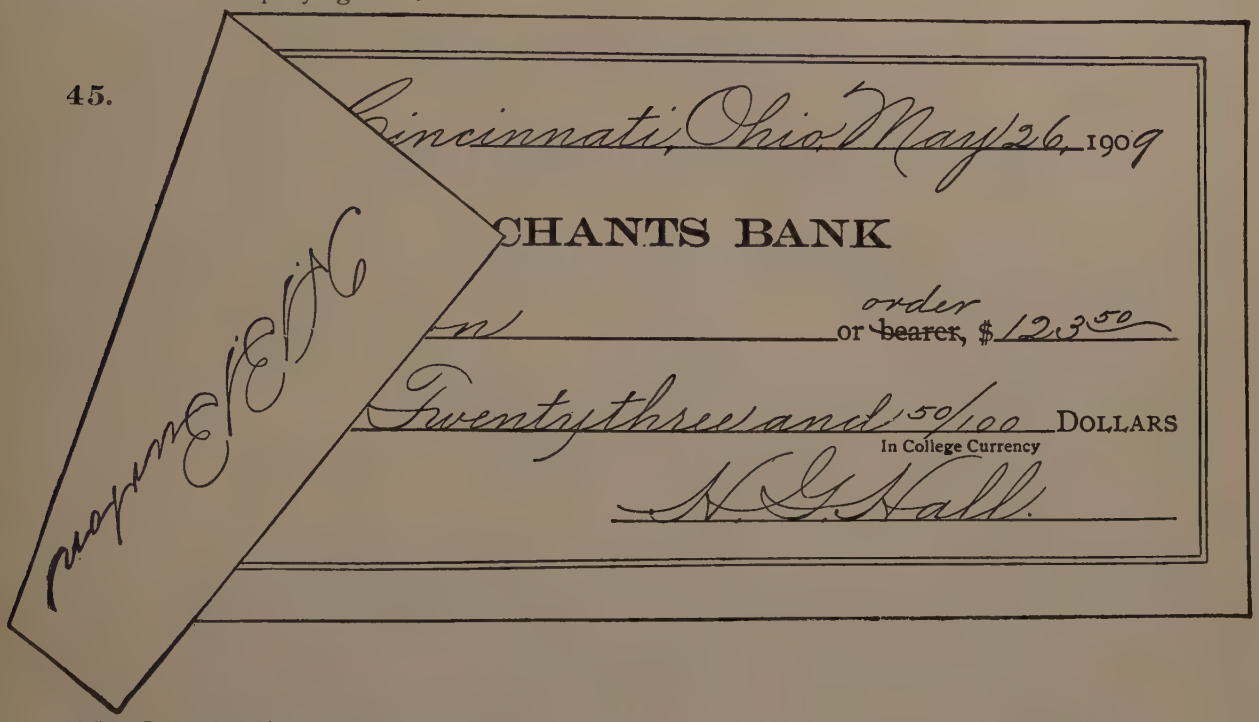
How to Order.—In ordering: 1. Be explicit. State exactly what you want, and in case the wholesaler should not be able to fill your order exactly, if a substitute of any article will be accepted, state exactly what may be substituted. If ordering from catalog, give catalog number or give exact title. 2. State how goods are to be shipped, as freight, express, etc., and give transportation line if possible. 3. Number your orders consecutively. 4. File your duplicate in orderly manner.

DEPOSITS

43. A ***Deposit*** is a specified amount of cash, or its equivalent in checks, drafts, etc., which is left with a bank for safe keeping. Any amount in money, not exceeding such a deposit, is subject to withdrawal, on demand, by the depositor, who must give a check for the amount, or sometimes in savings banks, upon the presentation of the Pass Book.

44. Indorsement.—When checks or other commercial papers are to be deposited, they should be ***indorsed*** by the person depositing them. This enables the banker, at any time, to ascertain the name of the depositor of the papers. The act of writing one's name on the back of a check or other commercial paper is called an ***Indorsement.*** The indorsement should be written about one inch from the left-hand end. See the accompanying form:

45.



46. Deposit Slip.—(Often called ***Deposit Ticket*** or ***Deposit Tag.***) This is a form furnished by the bank and made out by the depositor, and which sets forth the various items of the deposit.

NOTE.—The description of the Deposit Slip and its use, as here given, refer to its use in your preliminary work only.

47. *Direction.*—Fill out your Deposit Slip in accordance with the accompanying form. When your Deposit Slip is made out, compare the entries and amounts with the checks for deposit, making sure that there are no omissions or duplicate entries, also, that no error has been made in addition or in counting currency; then enter a copy of the Deposit Slip in your Banking Ledger, as the items of the accompanying Deposit Slip are entered in Banking Ledger Form on page 10. Do no ruling in your Banking Ledger until told to do so in your instructions.

48. *Direction.*—Prepare your deposit for the banker by arranging the checks in the order that you have entered them on the Deposit Slip; then place them in the Pass Book with the Deposit Slip, at the page where the deposit is to be recorded by the banker.

DEPOSITED WITH

Merchants Bank

FOR ACCOUNT OF

M H. B. BURTON

SEPT. 11, 1909.

All Checks and Drafts must be Indorsed.

Currency					
Checks					
Amer. Mdse. Co.		1	2	3	50
" " "			9	5	
" " "		1	5	2	
" " "		1	3	3	
" " "		1	5	3	60
" " "		1	4	7	20
		8	0	4	30

49. Take your Deposit Slip, Checks, and Pass Book to the banker, who will enter the amount of your deposit in the Pass Book and return the book to you.

H. B. Burton

		Deposit Items	Total Deposit	Date	No.	Checks
1909 Sept. 10	Currency		5000	1909 Sept.	11 1	100
" 11	Am. Mdse Co.	12350			11 2	207
	" " "	95			11 3	270
	" " "	152			11 4	288
	" " "	133		Bal		493930
	" " "	15360				
	" " "	14720	80430			
			580430			580430
1909 Sept. 12	Balance		493930	1909 Sept.	12 5	243
	Am. Mdse Co.	190			12 6	261
	" " "	6650			12 7	225
	" " "	14250		Bal		498520
	" " "	13580				
	" " "	12610				
	" " "	114	77490			
			571420			571420
1909 Sept. 13	Balance		498520	1909 Sept.	13 8	26680
	U.S. Com. Co.	14550			13 9	216
	Am. Mdse Co.	140			13 10	26390
	" " "	97			13 11	315
	Coll. Rod. Co.	13160	51410		13 12	189
					13 13	252
				Bal		399660
			549930			549930
1909 Sept. 14	Balance		399660	1909 Sept.	14 14	414
					14 15	114
					14 16	2050
				Bal		141860
			399660			399660
1909 Sept. 15	Balance		141860	1909 Sept.	15 17	57019
	E. K. Fish & Co.	2580	2580		15 18	15290
					15 19	11522
				Bal fwd		316029
			399860			399860

N. B. S. Burton

1909							
Sept. 16	Bal. fwd.		316029	Bal			764469
	Coll. Bank	47530					
	N. Y. Ex.	387610					
	C. S. Barker	133	448440				
			764469				764469
1909				1909			
Sept. 17	Balance		764469	Sept.	17	20	540
	Pro. Reg. # 9	495			17	21	756
	L. A. Sage	17460	66960	Bal			701829
			831429				831429
1909				1909			
Sept. 18	Balance		701829	Sept.	18	22	12610
	M. M. Taylor	412	412		18	23	13120
	Ck. 20. Rtd.	540	540		18	24	14130
	Over draft		118198		18	25	14260
					18	26	14689
					18	27	16136
					18	28	14234
					18	29	13826
					18	30	321642
					18	31	216460
					18	32	264120
			915227				915227
1909							
Sept. 20	Reg # 16 Disct'd.		1200	O. D'ft			118198
	E. C. Mills	112		1909 Sept.	20	33	160
	J. Poole	960			20	34	240
	A. Robinson	1000			20	35	8
	C. E. Doner	100			20	36	2
	Am. Mdse Co	4000			20	37	10
	Coll. Prod. "	300			20	38	15
	N. Y. Ex.	12610			20	39	25
	Chicago Ex.	342			20	40	50
	Cert. of Dep.	400			20	41	3820
	O. B. Harris	120			20	42	4280
	A. R. Henson	30	749010		20	43	2160
	Fwd.		869010	Fwd.			1398 58

W. B. Burton

1909				1909			
Sept. 20	Brt Fwd.		869010	Brt Fwd.			139858
				Sept.	2044	100	
					2045	266	
					2046	143	
				Bal.			678252
			869010				869010
1909 Sept. 21	Bal		678252				

50. Holidays for Business Offices.—A business office is in a measure bound to be open for the business of the public, especially for the settlement of matured obligations, within certain recognized business hours upon all business days of the week, except those recognized by law as legal holidays. The law of the different States varies, the customary holidays being:

51. January 1, February 22, May 30, July 4, and December 25. Some States observe February 12, Good Friday, Labor Day, and the various election days, either state or national.

52. The time for payment of papers maturing on holidays or Sunday greatly varies according to custom. In some States a paper maturing on these dates must be paid the nearest business day prior thereto, while in other States payment is permitted on the first business day following the holiday. This condition of affairs has resulted in large firms introducing into their work a form of notes and other commercial paper, in which, instead of specifying a time limit such as so many days or so many months after date, the actual date of maturity is fixed in the paper; thus, "on Jan. 10, after date, no grace," and papers so written are payable on the date specified and on no other. In writing such papers, particular care is given that the time shall be neither a holiday nor a Sunday.

53. Particular care should be observed when receiving commercial papers, to ascertain whether the papers should be protested or not upon non-payment. Many business houses take the position that if a paper bears no endorsement, there is no need to protest, but this is not always true, for there are many cases where the owner of a commercial paper may desire it protested with a view to bringing suit. This is especially true with banks. This may cause some inconvenience at times, and may be the means of causing hard feeling on the part of your customers toward you, hence you should exercise great care in this matter, and before having your matured commercial paper protested, you should present it to the maker for payment, and if he requests you to hold same, and is reasonably good, it is a wise plan to do so for a reasonable length of time. The better plan, however, is to obtain at least a small payment and renew the balance due by writing a new note for the amount still due, or endorsing the amount paid on the draft, if the commercial paper happens to be a draft.

54. Settling Date.—If a regular "settling date" has been adopted by your school, be sure that you have all statements made out and delivered on that date, in accordance with the instructions of your teacher. If no regular settling day has been adopted you will see that all accounts are collected when they mature according to the dates of the invoices, and you will pay all bills promptly so as to obtain the various discounts.

55. Assistance.—You are strictly forbidden to receive assistance from any student. Remember that you are paying your teachers for professional help. You are also strictly forbidden to give any assistance to other pupils. You are in school to learn and not to teach.

DIRECTIONS FOR FIRST POSTING

56. The various debit and credit amounts in the books of original entry are transferred daily, or at other stated periods, to a book called the ***Ledger.*** Transferring these items is technically called ***Posting.***

57. In Posting, we group the various debits and credits under their proper headings in the Ledger. Each one of these groups is called an ***Account.*** All the debit and credit amounts relating to merchandise purchases and merchandise sales are posted to the Merchandise account. All entries relating to cash paid out or cash received are posted to the Cash account. Each account in the Ledger has two sides, the *debit side* and the *credit side.* All the debit amounts in the books of original entry, that is, all the amounts in the left hand column of the Journal, are posted to the *debit* side of their respective accounts in the Ledger, and all the credit amounts in the books of original entry, those in the right hand column of the Journal, are posted to the *credit* side of their respective accounts in the Ledger. See Guide page 18.

58. If you have read the preceding instructions carefully, you may now prepare to post the amounts of your journal entries to the Ledger according to the following instructions :

59. The first entry in your Journal is Cash to Student, $5,000. Cash is *Debited* and you are *Credited* for the amount of your investment. It is the best plan in posting, to post *all of the Debit* items first to their respective accounts, and then to post *all of the Credit* items to their respective accounts. As Cash is the first debit item in your Journal, you will turn to the second page of the Ledger and write the word *Cash* on the light blue line at the top of the page, as shown in *Cash account* No. 1, Guide page 15. To post the cash to this account first enter the date of the transaction as recorded in your Journal in the date column of your Ledger. Second, enter the journal page "1" in the journal folio column of the Ledger, to show where the journal entry is found. Third, enter the amount in the money column, the same as the $5,000 is entered in the money column in Cash account No. 1, Guide page 15.

60. When an item is posted to the Ledger, the Ledger page is entered in the ledger folio of the book of original entry opposite the item posted, to show to which page in the Ledger the item has been transferred. This column is located either to the immediate right or to the immediate left of the explanation column as shown below. Use whichever column your teacher prefers. The column not used for the ledger folio may be used for the transaction number.

Date		LF			
61.		2	Cash	5000	
			(Student's Name) Stock		5000
			For amount of investment on this date		

In books of original entry, (as used in business offices), the folio column (abbreviated L F) is sometimes placed next to the day column and sometimes next to the money column. In the Ledger the folio column (abbreviated J F) is nearly always placed next to the money column.

62. The next *debit* amount in your Journal is $100, which should be posted to the *debit* side of the Expense account. You will now turn to ledger page 3, and write the word "Expense" on the light blue line at the top of the page. Next enter the date of the transaction in the date column of your Ledger. Second, enter a figure (1) in the journal folio column of the Ledger to show the journal page from which the item is transferred. Third. enter the $100 in the dollar column. See account No. 2, Guide page 15.

63. To show that this item has been transferred to the Ledger, enter a figure (3), which is the ledger page to which it was transferred, in the ledger folio column of your Journal opposite the word Expense, just the same as you entered the figure (2) opposite the word Cash in the preceding entry.

64. The next debit amount in your Journal is Merchandise $207, which should be posted to the debit side of the Merchandise account in the Ledger. You will open an account with Merchandise in the Ledger by writing the word "Merchandise" on the light blue line at the top of Ledger page 4. See account No. 3, Guide page 16.

65. You may now enter the date of the transaction as recorded in your Journal, in the date column of the Ledger, and the journal page in the journal folio column, and the amount, $207, in the money column. As the item is now posted to the Ledger, you will enter the ledger page 4 in the ledger folio column of the Journal, opposite the word Merchandise, the same as the figure 2 is opposite the word Cash, and the figure 3 is opposite the word Expense.

DIRECTIONS FOR FIRST POSTING — Continued.

66. The next debit amount in your Journal is $123.50, which you will easily see should be posted to the debit side of the Cash account in your Ledger. You already have a Cash account open in your Ledger, so the only thing to do is to enter this amount in the Cash account on ledger page 2, immediately below the entry of $5,000. Be sure to record the date and the journal page on which the original entry is found. See account No. 4, Guide page 16. When you have this amount posted to the debit side of the Cash account, be sure to enter the ledger page 2 in the ledger folio column of the Journal, to show that the item has been posted.

67. Post the next debit amount, $95, to the debit side of the Cash account in your Ledger on page 2. If in doubt as to the correct way to do this, see account No. 5, Guide page 16. When the item is posted to the debit side of the Cash account, be sure to enter the ledger page 2 in the ledger folio column in the Journal opposite the entry, to show that it has been posted.

68. Post the next debit amount, $270, to the debit side of the Merchandise account on page 4 of your Ledger, the same as the $270 is posted to the debit side of account No. 6, Guide page 16. Be sure to enter the ledger page in the ledger folio column, to show that the item has been transferred to its proper ledger account.

69. When you reach the second page of your Journal, you must remember to enter journal page 2 in the journal folio column in the Ledger. In succeeding postings always enter in the journal folio column of the Ledger, the page of the Journal from which the amount is posted, without being told to do so in the directions.

70. Post the next debit amount, $152, to the debit side of the Cash account on page 2, the same as $152 is posted to the debit side of account No. 7, Guide page 17.

71. Post the next debit amount, $133, to the debit side of the Cash account on ledger page 2. See the last entry in account No. 8, Guide page 17. Be sure to enter the ledger page in the ledger folio column of the Journal, and the journal page in the journal folio column of the Ledger.

72. Post the next debit amount, $288, to the debit side of the Merchandise account on page 4. Be sure to enter the date as recorded in your Journal, and be sure to enter the journal page in the journal folio column of the Ledger. See account No. 9, Guide page 17.

73. Post the next amount, $153.60, to the debit side of the Cash account on ledger page 2. See sixth entry in account No. 10, Guide page 17.

74. Post the next debit amount, $147.20, to the debit side of the Cash account on ledger page 2. See the last entry in account No. 10, Guide page 17. Do not forget to enter the ledger page 2 in the ledger folio column in your Journal, to show that this item has been transferred to the Ledger.

75. Now that you have posted all of the debit items to your Ledger you will submit your Ledger to your teacher for approval. When the same is approved you will continue your posting, and post *only the credit amounts* to the *credit side* of their respective accounts in the Ledger, in accordance with the following instructions:

76. The first credit item as recorded in the Journal is your investment of $5,000, which should be posted to the credit side of your own account. As you have not yet opened an account with yourself in the Ledger, you will now turn to page 1, and write your own name and the word stock on the light blue line at the top of the page, as "H. B. Burton, Stock," is written at the top of account No. 11, Guide page 18.

77. To post the $5,000 credit to your account, first enter the date as recorded in your Journal; second, enter the figure 1 in the journal folio column of the Ledger, to show on what page in the Journal this entry is found. Now, enter the $5,000 in the money column, just as the $5,000 is posted to the credit side of account No 11, Guide page 18.

78. Have you noticed in looking over these Ledger accounts, that the year date is entered at the top of every column? If you have not entered the year date you may do so at once, and remember hereafter in all your posting that the *year date* should be entered after every double red ink ruling, and that the year date is just as important as the month and day.

DIRECTIONS FOR FIRST POSTING — Continued

79. Post the next credit amount in your Journal, $100, to the credit side of the Cash account on the second page of your Ledger, the same as the $100 is posted to the credit side of account No. 12, Guide page 18. First, enter the date as recorded in your Journal in the date column. Second, enter the Journal page 1, in the journal folio column of the Ledger. Next, enter the amount, $100, in the money column. Now, enter the ledger page 2 in the ledger folio column of the Journal, to show to which page of the Ledger this item has been transferred.

80. Post the next credit amount, $207, to the credit side of the Cash account on page 2 of the Ledger, as the $207 is posted to the credit side of account No. 12, Guide page 18.

81. Post the next credit item, $123.50, to the credit side of the Merchandise account on ledger page 4, as the $123.50 is entered on the credit side of account No. 13, Guide page 18. Do not forget to enter the ledger page in the ledger folio column of the Journal, at the time of posting the items to their respective accounts in the Ledger. Hereafter you are expected to do this without being told.

82. Post the next credit amount, $95, to the credit side of the Merchandise account in the Ledger. See second entry on credit side of account No. 13, Guide page 18.

83. Post the next credit amount, $270, to the credit of Cash. See third entry account No. 12, Guide page 18.

84. Post the next credit amount, $152, to the credit of Merchandise. See third entry account No. 13, Guide page 18.

85. Post the next credit amount, $133, to the credit of Merchandise. See fourth entry account No. 13, Guide page 18.

86. Post the next credit amount, $288, to the credit of Cash.

87. Post the next credit amount, $153.60, to the credit of Merchandise.

88. Post the next credit amount, $147.20, to the credit of Merchandise.

89. You will now submit your Ledger to your teacher for approval, and when approved, you will carry out in detail the instructions for taking a Trial Balance and closing the Banking Ledger and Cash account, as given in Guide pages 18 to 21 inclusive.

90. **ACCOUNT NO. 1**

Cash

1909		J F			J F	
Sept 10		1	5000			

91. **ACCOUNT NO. 2**

Expense

1909						
Sept 10		1	100			

92. ACCOUNT NO. 3

Merchandise

1909 Sept. 12		1	207

93. ACCOUNT NO. 4

Cash

1909 Sept. 10		1	5000
	10	1	12350

94. ACCOUNT NO. 5

Cash

1909 Sept. 10		1	5000
	10	1	12350
	10	1	95

95. ACCOUNT NO. 6

Merchandise

1909 Sept. 12		1	207
	12	1	270

96. ACCOUNT NO. 7

Cash

1909			
Sept.	10	1	5000
	10	1	12350
	11	1	95
	12	1	152

97. ACCOUNT NO. 8

Cash

1909			
Sept.	10	1	5000
	10	1	12350
	10	1	95
	12	1	152
	12	1	133

98 ACCOUNT NO. 9

Merchandise

1909			
Sept.	12	1	207
	12	1	270
	13	2	288

99. ACCOUNT NO. 10

Cash

1909			
Sept.	10	1	5000
	10	1	12350
	10	1	95
	12	1	152
	12	2	133
	13	2	15360
	13	3	14720

100. ACCOUNT NO. 11

W. B. Burton, Stock

			1909 Sept. 10	1	5000

101. ACCOUNT NO. 12

Cash

1909 Sept.	10	1	5000	1909 Sept.	10	1	100
	10	1	12350		12	1	207
	10	1	95		12	1	270
	12	1	152		13	2	288
	12	2	133				
	13	2	15360				
	13	2	14720				

102. ACCOUNT NO. 13

Merchandise

1909 Sept.	12	1	207	1909 Sept.	10	1	12350
	12	1	270		10	1	95
	13	2	288		12	1	152
					12	2	133
					13	2	15360
					13	2	14720

TRIAL BALANCE

103. ***A Trial Balance*** is a form prepared for the purpose of testing the correctness of your posting. It should show that the total debits in your Ledger equal the total credits in your Ledger. A Trial Balance consists of a list of the Ledger accounts, with the debit footings and the credit footings of each account. The debit and credit columns of the Trial Balance are then added to show that the sums posted to the debit side of the respective accounts equal the sums posted to the credit side of the respective accounts. If the two sides of the Trial Balance equal it is reasonable to suppose that the amounts have been correctly posted from the Book or books of Original Entry to the Ledger.

104. *It should be kept in mind*, however, that a Trial Balance does not absolutely prove the correctness of the work. It proves only that for every debit amount posted there has been posted an equal credit amount. Accounts that are in balance (if the debit side of the account equals the credit side of the account) may be omitted in taking a Trial Balance. Ask your teacher his preference.

Trial Balance by Differences is described elsewhere. See par. 153.

DIRECTION

105. The first thing to do in taking a Trial Balance is to find the total of each account in the Ledger, writing the result of each account in small, light and very plain figures underneath the last ink figures. The object in putting these footings in small figures is so that they will not interfere with the posting of additional amounts.

106. Sharpen your pencil to a fine point, and add the debit and the credit sides of each Ledger account. When this is done, take a sheet of journal paper and write the name of each account in the Ledger and the total sum of the debits and the total sum of the credits, as shown by the pencil footings. When writing the name of the account also place the number of the ledger page of each account in the day column at the left, as shown in the accompanying form.

107. Now find the total of each column of the Trial Balance, the footings of which should be equal. If the footings are not equal, compare your Trial Balance with the accompanying form, which will enable you to locate the account or accounts containing the mistake. If you have made an error it is more likely to be in adding or posting than in any other place. When you have this Trial Balance properly made out submit a copy of it to your teacher, and when approved enter the same on the first page of your Trial Balance book.

108.

Trial Balance Sept. 13, 1909

1	H. B. Burton, Stock		5000
2	Cash	5804 30	865
3	Expense	100	
4	Mdse.	765	80430
		666930	666930

CLOSING ACCOUNTS

109. When an account is *in balance*, that is, when the sum of the debit column equals the sum of the credit column, the account should be ruled up and closed. See Bills Payable account, Guide page 27. Observe that the red ink rulings are always placed on the same line.

110. To close an account that is not in balance you first find the difference between the two sides of the account, which is the *balance.* Then write the word "Balance" on the lesser side of the account in red ink. Then rule the account the same as an account that is in balance, but bring the balance down below the *red ink* ruling on the opposite side in *black ink.* See account No. 14, Guide page 20.

111. *You may now close your Banking Ledger in accordance with the following instructions:*

112. First, compare your Banking Ledger with your Cash account. To do this, it will be necessary to check the items entered in your Banking Ledger with the items entered in the Cash account. Also find the difference between the total amount of money you have deposited and the total amount of checks drawn, which is the amount of money you now have on deposit at the bank, or your *Bank Balance.*

113. As your money is all on deposit at the bank, this *Bank Balance* is your *Cash Balance*, which, if your work is correct, will agree with the difference between the two sides of your Cash account in the Ledger.

114. Ascertain the total debits and the total credits of the Cash account in your Ledger, and find the difference, which, if you have made no error, will agree with your *Cash Balance* as shown by the Banking Ledger.

115. *You may now enter your Bank Balance* on the credit side of your Banking Ledger, as the Bank Balance is entered on the credit side of the Banking Ledger on the following page.

116. Rule your Banking Ledger as shown in the accompanying form and bring the balance on deposit below the double red ink ruling. Be sure to write the year date, the month and the day of the month, and be careful that you get the figures in the right column. Submit this to your teacher for approval.

FORM OF BANKING LEDGER

117.

M H. B. Burton *In Acc't with* **Merchants Bank**

Date	Deposit Items		Total Deposit	Date	No.	Checks
1909 Sept. 10	Currency		5000	1909 Sept.	11 1	100
" 11	Am. Mdse. Co.	12350			11 2	207
"	" "	95			11 3	270
"	" "	152			11 4	288
"	" "	133		Bal	12	4939 30
"	" "	15360				
"	" "	14720	80430			
			58430			58430
~~1909~~ Sept. 12	Balance		4939 30			

CASH ACCOUNT IN THE LEDGER

118. As you probably understand by this time, the Cash account in your Ledger is a record of the separate amounts of cash received and a record of the separate amounts of cash paid out. The total of the debit column shows the total amount of cash received, and the total of the credit column shows the total of the cash paid out, providing there are no mistakes in your work.

119. Closing the Cash Account.—The Cash account is usually closed at the end of every day's business, but sometimes its closing is deferred until a Trial Balance is taken, but the Cash account is always closed at the time of *Closing the Books.*

120. *You may now close the Cash Account* in accordance with the accompanying form and illustrations. Enter the *Cash Balance* as shown by your Banking Ledger on the credit side in red ink, the same as the *Cash Balance* is entered on the credit side of the accompanying form. Rule the account in *red ink* and place the footings of each column in *black ink* below the single red ink ruling. Draw the double red ink ruling exactly as shown in the accompanying form. Then bring down the *Cash Balance* on the debit side in *black ink*, being sure to write the date and the word "Balance."

121. **ACCOUNT NO. 14**

Cash

1909 Sept. 10	1	5000	1909 Sept. 10	1	100
10	1	12350	12	1	207
10	1	95	12	1	270
12	1	152	13	2	288
12	2	133	13 Bal		4939 30
13	2	15360			
13	2	14720			
		58430			58430
~~1909~~ Sept. 13	Balance	4939 30			

INDEXING THE LEDGER

122. It is necessary to index all the accounts in the Ledger in order that the accounts may be readily found. For this purpose several extra pages are usually inserted in the front part of the Ledger. Upon these pages the titles of the accounts are written alphabetically, a certain amount of space being reserved for each letter. This space varies with the nature of the business and the number of accounts that are likely to be required. Your Ledger is so ruled that each column of the index page is reserved for a single letter. The letters to be used in the respective columns are indicated by the capitals printed on the margin of each right-hand page. Thus, the letters A, B, C, D on the first of these pages indicate that the first column on the left is for names beginning with "A." The second column is for names beginning with "B." The third column is for names beginning with "C," and the fourth column is for names beginning with "D." In the same manner the next group of letters, E, F, G, H, indicate the letters for the next four columns, and so on to the end of the index pages.

123. *You may now index your Ledger*, by writing in their respective columns the titles of the accounts, Cash, Merchandise, Expense, and your own account. In your own account write your own name, followed by your initials and the word "Stock," as the title "Burton, H. B., Stock," appears in the index form given, and a figure (1) to show on which page of the Ledger your account is found. Be sure to get your name in the proper column.

124. In the column for all accounts beginning with the letter "C" write the word "Cash" and the Ledger page on which the account is found.

125. In the column for all accounts beginning with "E" write the word "Expense" and the number of the ledger page on which the Expense account is found.

126. In the column reserved for all accounts beginning with "M" write the word "Merchandise" and the ledger page on which the Merchandise account is found.

127. Hereafter, in opening new accounts in the Ledger, first decide on what page the account is to be opened, then place the name of the account and the Ledger page in the proper column of your Index, after which you should write the title of the account on the proper page. This order should always be followed so as to avoid opening accounts in the Ledger and not having them properly indexed.

(LEFT-HAND PAGE.)		(RIGHT-HAND PAGE.)	
			A
Anderson, J. P., 14	Burton, H. B. Stock, 1	Cash, 2	Dalton, J., 12
Adams, E. B., 108–93–54–18	Bills Payable, 5		B
Alderson, W. G., 75–60–44–29			
			C
			D

128. When the page assigned to an account is filled, it then becomes necessary to transfer the account to another page. When this is done, you write the new page number before the last page number given in the Index, separating the numbers with a dash in order to avoid confusion. See the page numbers after the name "E. B. Adams" in the accompanying form. This index shows that E. B. Adams' account was first entered on page 18, but afterwards transferred to pages 54, 93, and 108, respectively. The object in writing the numbers of the pages on which the account is in this order, is so that the last page is more easily noticed when looking for the account in the Index.

129. *You may now present your books to your teacher for inspection.* When they are approved, you will return to your work as outlined in the Business Directions. While waiting for your books to be examined you will study *Part Two* of the *Guide*, unless your teacher has other work for you to do.

Sept. 6. 1909

	Mdse	266 80	
	Bills Pay		266 80
130.	Gave College Prod. Co. my 30 day note, Reg. No. 1, for Inv No. 7		
	Mdse	261 90	
	F.B. Jessup & Co.		261 90
131.	Bot Mdse on a/c as per Inv. No. 46 15 das. 20%. 30 das. 10%. 60 das. Net		
	F.B Jessup & Co.	261 90	
	Mdse Drs.		52 38
	Cash		209 52
132.	Gave F.B.J. & Co Ck No. 96 in full for Inv. No. 46, less 20% Cash, 15 das.		

Sept. 7. 1909

	C.J. Knapp	180	
	Mdse		180
133.	10 brls. Fish 10 ea. - 100		
	10 " Oatmeal 8 ea 80		
	30 days 3%, Otherwise net.		
	Cash	174 60	
	Mdse Drs.	5 40	
	C.J. Knapp.		180
134.	Recd. C.J.K.'s Ck. No 938 in full for bill, 6th inst. less 3% 30 days		

Sept. 8. 1909

	Cash	505	
135.	Bills Rec'd		500
	Int. & Dis's		5
	J. Allen's Ck. No. 142 in full for Reg No 9 and 60 days' Int. at 6%		
	Bills Pay.	125	
	Cash		125
136.	Gave Mer. Bank Ck. No. 42 in part payment of Reg. No. 46. Same endorsed.		
	Cash	400	
	Bills Rec'd		400
	Recd. A. B. Mills' Ck. No 932		
137.	to apply on his 30 day note dated Sept. 1. 1909 Same endorsed thereon Reg No. 43.		
	Cash.	495	
	Int. & Dis's	5	
	Bills Rec'd		500
138.	Discounted at Mer't Bank College Prod. Co's 60 day note; Reg. No. 42. Net proceeds in Currency		
	Cash	364 50	
	Coll. & Dis's	50	
	College Prod. Co.		365
139	Mer. Bank collected my Dft. No. 10. Net pro. placed to my credit		

Sept. 8. 1909

	Cash.	4975	
	Int. & Drs.	25	
140.	Bills Pay.		5000
	Discounted my 30 day note, Reg. No. 16, at Mer. Bank. Net pro. placed to my Cr.		
	A. C. McClurg, Chicago.	500	
	Exchange.	50	
141.	Cash.		500 50
	Sent Chgo. Ex. in full of acct. to date, Ck. No. 98.		
	U. S. Com. Co.	920	
	Ship. No. 1. U. S. Com. Co.		920
142.	Recd. acct. Sales of Ship. No. 1. Net pro. to my Cr.		
	Cash.	300	
	Freight & Dray.	12 50	
	Commission.	3	
143.	Exchange.	30	
	Ship. No. 2. U. S. Com. Co.		315 80
	Recd. acct. Sales of Ship. No. 2; Pro. by N. Y. Ex.		

Sept. 10. 1909

	Bills Pay.	266 80	
	Cash.		266 80
144.	Gave the Am. Mdse Co. Ck. No. 8 in payment of my note as per B. Reg. #1.		

Sept. 10, 1909

	Am. Mdse Co.		281 30	
	Mdse			281 30
145.	20 brls Flour 5.00	100		
	3 " Pork 20.00	60		
	5 " Pickles 20.00	100		
	5 " Corn Meal 6.00	30		
	Less 2%	8.70		
	Mdse		540	
	Am. Mdse Co.			540
146.	Bot. Mdse. on acct. as per. Inv. No. 17.			

Sept. 11, 1909

	Bills Pay.		570	
	Int. & Dis.		19	
	Cash.			57019
147	Gave Mer. Bank Chk. No. 17 in payment of Req. No. 6. and two days' Int. at 6%.			
	Cash		389610	
	College Prod. Co.			389610
148.	Their Chk. No. 9644 in full of acct. to date.			
	Cash.		87610	
	College Prod. Co.			87610
149.	Their Chk. No. 9964 to apply on acct.			

Merchandise

1909					1909			
Sept.	10		1	207	Sept.	10	1	123 50
"	10		1	270	"	10	1	95
"	10		1	288	"	10	1	152
"	11		2	243	"	10	2	133
"	11		3	261	"	10	2	153 60
"	11		4	225	"	10	2	147 20
"	12		4	266 80	"	12	3	66 50
"	12		5	216	"	12	3	142 50
"	12		5	263 90	"	12	3	135 80
"	13		6	315	"	12	4	126 10
"	13		6	189	"	12	4	114
"	13		7	252	"	14	4	190
"	14	L and L	7	192 70	"	14	4	145 50
					"	15	4	140
					"	15	5	97
					"	16	5	131 60
					"	16	5	281 30
					"	17	6	252 20
					"	17	6	87 30
					"	18	7	116 40
					"	18	7	203 70
					"	18	7	155 20
				3189 40				3189 40
1909					1909			
Sept.	16		8	414	Sept.	16	8	100
"	16		9	282 15	"	16	9	136 42
"	18		10	540	"	18	10	126 10
"	18		10	315	"	18	11	131 60
"	19		11	225 07	"	19	12	126 40
"	19		12	381 12	"	19	12	136 90
"	20		13	285 12				
"	20		13	756				
"	20		13	1135				
"	20		14	800				
		Fwd.	27	5133 46		Fwd.	27	757 42

151.

Merchandise

1909				1909			
Sept. 20	Fwd.	26	513346	Sept. 20	Fwd.	26	75742
21	C	3	12610	21	J	8	16140
21	C	3	14260	21	J	9	16142
22	C	3	16130	22	C	2	200
23	P	1	640	23	J	10	160
24	P	2	960	24	S	1	640
26	Land & G	J 10	28146	25	Invt.		536468
			744492				744492
1909							
Sept. 25	Invt.		536468				

The above merchandise account represents the postings and the postmarks if the Purchase, Cash, Sales, and Journal were used; the abbreviations P., C., J., and S., standing respectively for Purchase, Cash, Journal, and Sales. It also shows how the Mdse Inventory (if any) would be added to the credit side before finding the difference and closing; and how the inventory would be brought down below the closing rulings, on the opposite side after closing.

The footings at the bottom of page 26 and at top of this page show how footings are carried forward.

152.

Bills Payable

1909				1909			
Sept. 20		7	26680	Sept. 18		6	26680
20		7	216	18		6	216
25		8	26390	18		7	26390
25		8	315	19		7	315
30		9	189	19		8	189
30		9	252	19		8	252
			150270				150270

153. Trial Balance by Differences.—Rule.—In addition to taking totals of all Ledger accounts, take the differences of the Ledger accounts. Set opposite each account, the difference between the two sides. Set the differences that fall on the debit side, in the debit column; and the differences that fall on the credit side, in the credit column. If your work is correct, these differences will balance.

To illustrate: Suppose the debit side of the Cash account is $5892.14, and the credit side is $2848.19, the difference, $3043.95, would fall on the debit side, and would be set in the debit column. If an account had a debit and no credit, the full amount of the debit would be the difference, and the full amount of the debit would be set in the debit column. Suppose the debit of John Jones's account is $328.20, and the credit $518.40; the difference, $190.20, would fall on the credit side, and would be set in the credit column; and so on through all the accounts of your Trial Balance.

DIRECTIONS FOR SECOND POSTING

154. In the previous directions for transferring the various amounts of the entries in your Journal to the Ledger, you were instructed to post all of the debit amounts first, after which you would post all of the credit amounts. You will, therefore, begin this posting by debiting Merchandise for $243, by entering this amount on the first line below the $288 in the Merchandise account, ledger page 4.

155. First, enter the date of the transaction as recorded in your Journal. Second, enter the journal page in the journal folio column in the Ledger. Third, enter the amount $243 in the money column. See Guide page 26.

156. To show that this entry is posted to the ledger you enter the number of the ledger page 4 in the ledger folio column of your Journal opposite the word "Merchandise," as you were instructed to do in your previous posting.

157. Post the next debit amount, $190, to the debit side of the Cash account on the first line below the balance, $4939.30. Enter the date as recorded in your Journal, the journal folio, and the amount, after which you enter the ledger page in the ledger folio column of your Journal, to show that this item has been transferred to its account in the Ledger.

158. Post the next debit amount, $66.50, to the debit side of the Cash account.

159. Post the next debit amount, $261, to the debit side of the Merchandise account.

160. Post the next debit amount, $142.50, to the debit side of the Cash account.

161. Post the next debit amount, $135.80, to the debit side of the Cash account.

162. Post the next debit amount, $225, to the debit side of the Merchandise account

163. Post the next debit amount, $126.10, to the debit side of the Cash account.

164. Post the next debit amount, $114, to the debit side of the Cash account.

165. You now should have all of the debit items posted, and the postings indicated by check-marks which are the ledger pages on which the accounts are found.

166. You will now begin to post the credit items as recorded in the Journal to the credit side of their respective accounts in the Ledger, as follows :

167. Post the first credit amount, $243, to the credit side of the Cash account on the next line below the double red ink ruling, exactly the same as the $243 is entered on the credit side of the Cash account on Guide page 46.

168. First, enter the year date and the month and date of the transaction as recorded in your Journal ; then the journal folio, and the amount in the money column.

169. Place the proper figure in the proper column of the Journal to show that this item is transferred to the Ledger. Do this in the future without being told.

170. Post the next credit amount, $190, to the credit side of the Merchandise account.

171. Post the next credit amount, $66.50, to the credit side of the Merchandise account.

172. Post the next credit amount, $261, to the credit side of the Cash account.

173. Post the next credit amount, $142.50, to the credit side of the Merchandise account.

174. Post the next credit amount, $135.80, to the credit side of the Merchandise account.

175. Post the next credit amount, $225, to the credit side of the cash account.

176. Post the next credit amount, $126.10, to the credit side of the Merchandise account.

177. Post the next credit amount, $114, to the credit side of the Merchandise account.

178. You may now submit your Ledger to your teacher for approval. If approved, you may comply with the following instructions:

DIRECTIONS FOR TRIAL BALANCE

179. Take a Trial Balance, proceeding according to your previous instructions, except that in adding the ledger columns you will not include any amounts above the double red ink ruling, that is, inasmuch as your Cash account has been balanced and the balance brought down below the double red ink ruling; begin this Trial Balance with the items below the double red ink ruling, but in all other accounts you are to take all of the amounts as recorded in the Ledger.

180. Be sure to take every account in the Ledger, whether you have posted anything to that

account in this posting or not, as they are part of your Ledger just as much as those amounts which you have posted since you took your last Trial Balance.

181. In case you have trouble in getting this Trial Balance, verify each step of your work as follows:

182. First look over the additions in the Ledger and then look over the amounts as recorded in the Trial Balance to see that you have made no mistake in transferring them from the Ledger to the Trial Balance. Also observe that each amount is written on the proper side of the Trial Balance. When your Trial Balance proves, submit a copy of it to your teacher, after which you will enter it in your Trial Balance Book as in previous directions.

183. You may now compare your Banking ledger and Cash account as previously instructed. If they agree, you will balance your Banking ledger and Cash account.

184. If you should have money on hand, either in the form of checks or currency, your Cash Balance would be the amount of money on deposit in the bank, plus the amount of money on hand, and the correctness of your Cash account is determined by ascertaining the difference between the two sides of the account, which should be the same as the Cash Balance.

185. Be sure to balance your Banking ledger first, because the only way you can determine your Cash Balance is to ascertain the amount of money you have on deposit.

186. If you have complied with the directions your money is all on deposit at the bank. Therefore, as you were previously told, your Bank Balance is your Cash Balance.

187. Let it be understood that your Cash Balance is not determined by finding the difference between the two sides of the Cash account, but is determined by ascertaining the amount of money which you possess.

188. You may now present your books to your teacher, and when they are approved, you will continue your work as outlined in the Business Directions.

PROMISSORY NOTES

189. **A Promissory Note** is an unconditional promise in writing, signed by the maker, to pay at a stated time, or on demand, a specified sum of money, with or without interest, to some particular person, or to his order, or to bearer.

190. **Parties to a Note.**—The parties to a note are divided into three classes. First, the ***Maker,*** who is the person who signs the note, that is, the one who is first responsible for its payment. The ***Payee*** is the person in whose favor the note is drawn, and to whom it is originally payable, or to whom it may be payable when the note is legally transferred. These parties, the maker and the first payee, are called the original parties to a note, while persons who endorse the note to transfer its title are called ***Endorsers*** and are also known as ***Subsequent Parties.***

191. **Use of Note Stubs.**—Many note-books are printed so that the notes may be torn out from the book, leaving a stub for the purpose of keeping a record of the notes. This is not always done, but is very good business custom. When using a note-book with a stub provided, the stub should always be filled out, and it should be filled out before writing the note, for the same reason that the check-stub should always be filled out before writing the check.

192. **How to Write a Note.**—In your work in school you will make out all notes in accordance with the form on page 30, as a careful study of business custom shows this to be that most in use. If a note is not to draw interest cancel the words and characters, "Interest @ %," by drawing a heavy line through them. This will prevent a subsequent holder of the note filling in an interest rate and compelling the signer of the note to pay something that he did not agree to pay.

193. You should carefully read the chapter in your Commercial Law book, if you have one, relative to Promissory Notes.

194. The place of payment may or may not be specified. If any blank space in a note or any other negotiable paper is not to be filled out it should be cancelled by drawing a heavy line through the blank space as in the form on the following page.

195. Time to Run.—In the course of ordinary mercantile business, notes are usually drawn payable in three months, four months, six months, at the expiration of one year, on or before a certain date, or in whatever time is agreed upon between the maker and the payee of the note.

196. In order to afford the student considerable practise in the use of notes, in this course it has been decided to arrange for the notes to mature at short periods, say from one to thirty days.

197. When the time to run is expressed in months or years, the due date is always determined by compound addition, and all arithmetical computations to ascertain the present worth or interest due at maturity are figured by this method of determining the time.

198. If the time to run is expressed in days, the due date is determined by taking the actual number of days after the date expressed in the note, and all computations concerning the note are based on the actual number of days.

199. Maturity.—By the ***maturity*** of the note or any other negotiable paper is meant the time when the amount is due and collectable.

200. Days of Grace.—In some States the law allows the maker of a note or other negotiable paper three days longer than the time mentioned in the paper, in which to pay it. These three days are known as "Days of Grace." Inasmuch as days of grace cause confusion and oftentimes loss of money, many notes are written without grace, that is, the maker and the payee agree that the time for payment shall be a certain specified time without reference to days of grace. This agreement is expressed in different ways, but the most common are to write the words, "No Grace," or "Fixed," after the specified time. No days of grace are ever allowed on checks.

201. If days of grace are allowed in your State, you must add three days to the time mentioned in your notes and other time paper in order to ascertain their date of legal maturity, unless otherwise agreed at the time of writing the note. Thus, if you make a note on Jan. 15 payable one day after date, such a note, in case days of grace are allowed, would mature Jan. 19.

202. If you have carefully read your Law Book you are familiar with maturity on holidays. If you have no Law Book ask your teacher to explain this to you.

203. The following is a general form of a Promissory Note:

No. 1
Date Sept 18 1909
For Inv No 7
In favor of
Coll. Prod. Co.
Indorsed by
Int. at
Due Sept 19 1909
$266.80

No. 1 Battle Creek, Mich., Sept 18 1909.
One day after date I promise to pay to the order of
College Produce Co. $266.80
Two Hundred Sixty-six and 80/100 DOLLARS
College Currency
payable at Interest at per cent. Value received.
Due Sept 19 1909 H. B. Burton

204. Bills Payable Account—All promissory notes or other written obligations issued by the proprietor of the business are known in his books as ***Bills Payable.*** Written obligations include any written promise to pay on the part of the proprietor. An account is kept in the Ledger with Bills Payable. This account is credited whenever the proprietor issues any written obligation to pay and is debited whenever those obligations are paid, either in part or in whole.

205. The interest which is paid out or received by a business house is kept in a separate account, and should never be entered or in any way connected with the Bills Payable account.

206. Bill Book or Bill Register.—This is a specially ruled book for the purpose of keeping a complete record of all written obligations as to their date, in whose favor given, for what given, where payable, if specified, the number of the obligation, the rate of interest, the time to run, the maturity, the amount, the date of payment, and the method of payment.

207. Whenever you issue or become responsible in writing, you should at once make a complete record in the Bills Payable division of the Bill Book, as shown by the entry for the note in favor of W. S. Hull in the accompanying bill book form.

208. The columns for the date of payment and the method of payment should not be filled out until the time of actual payment. You should number all bills payable consecutively, and the number on the bills payable should agree always with the number as recorded in the Bills Payable Register.

209.

BILLS PAYABLE

DATE OF NOTE OR OF ACCEPTING DRAFT.		DRAWER OF DRAFTS THAT WE ACCEPT.	IN FAVOR OF	FOR WHAT GIVEN.	WHERE PAYABLE.	NO.	INT.	FULL TIME TO RUN.	WHEN DUE. JAN.	FEB.	MAR.	APRIL.	MAY.	JUNE.	JULY.	AUG.	SEPT.	OCT.	NOV.	DEC.	YEAR.	DOLLARS.				DATE OF PAYMENT.		EXPLAIN HOW PAID.
19 Sept.	10		W. S. Hull	Mdse Inv. 7		1		1 day									11				19	2	6	6	80	19 Sept.	11	Ck. No. 8

When you pay this note explain how paid, as in the notation shown above.

210. Disposal of Notes that have been Paid.—When you pay a note it should be returned to you. At this time you should cancel the note by writing the word "Paid" and the date of payment across the face of the note, and cancel your signature by drawing two heavy red ink lines through it. (See accompanying form.) The object of doing this is to protect yourself against second payment if the note should become lost and by any means pass into the hands of an innocent holder.

211. When a note has been properly cancelled it should at once be placed in the envelope provided for such purpose.

No. 123 Chicago, Ill., June 6, 1909

Ten days after date I promise to pay to the order of

R. W. Mills $39.60

Thirty-nine and 60/100 DOLLARS

College Currency

payable at my office Interest at 6 per cent. Value received

Due June 19, 1909 R. M. Hudson

Paid June 19, 1909

DIRECTIONS FOR THIRD POSTING

212. The third posting involves identically the same class of work that has been done heretofore However, you should give close attention to the following suggestions:

213. In posting to an account that has been ruled, write the amount to be posted on the first vacant line below the ruling. In an unruled account the amount to be posted is entered on the next line below the last pen written amount.

214. You should open an account in the Ledger with "Bills Payable," and with each person to whom you have sold goods on account, giving each new account one page. Be sure to write the name of the account in the Index before writing the name at the top of the ledger page.

215. You will begin this posting by debiting Merchandise for $266.80. Next debit Cash for $145.50. Next debit Cash for $140. Next debit Merchandise for $216. Continue the posting of all the debit amounts. Be sure to enter the ledger page in the ledger folio column of the Journal, to show that these items are posted. After all the debit items of the Journal are posted to the Ledger, post all the credit items to credit side of their respective accounts.

216. When the postings have been completed, proceed to find the footings of both sides of each Ledger account as previously instructed for taking a Trial Balance. In doing this, be sure not to include any amounts above double red ink rulings.

217. In accounts that have not been ruled, be sure to take all of the debit items and all of the credit items. Be careful to make your pencil footings in small light figures so that they will not interfere with further work in the Ledger.

218. You may now take a Trial Balance, following previous instructions.

219. Now, that you have your Trial Balance, you may close the Banking Ledger, after which you may close the Cash account as previously instructed.

220. If you have complied with the directions above, you may present your books to your teacher for approval. While waiting for them to be approved, you will carefully study the directions for making a Balance Sheet of this business, after which you will prepare a Balance Sheet according to the instructions given.

THE BALANCE SHEET

221. A **Balance Sheet** is a specially prepared form showing a Trial Balance of the Ledger, followed by a statement of your resources, liabilities, gains, losses, and the present worth of the firm.

222. **The Resources** of a firm consist of all property belonging to the firm, such as Cash, Merchandise, Real Estate, Bills Receivable, Furniture and Fixtures, Chattels, etc., and all debts owed to the firm by other business firms or persons.

223. **Liabilities.**—The liabilities of a firm consist of all debts owed by the firm, such as Personal Accounts Payable, Bills Payable, Interest due and unpaid, Rent due and unpaid, and everything else for which the firm is liable for payment.

224. **The Present Worth** of the firm, or the **Net Capital,** is the total resources of the business less the liabilities. If the liabilities of the firm should be larger than the total resources, a firm is said to be insolvent, or to be unable to pay its debts in full.

225. At the present time you have no liabilities, therefore, your present worth is the total of your resources.

226. **Gains.**—The gains of a business are the profits derived from all sources, such as merchandise, the sale of real estate, interest and discount paid or allowed to the firm, and anything else that shows a profit in handling.

227. At the present time your only gain is that shown by the Merchandise account.

228. **Losses.**—The losses of a business consist of those amounts paid out for running expenses, which are usually charged to the Expense account. All amounts paid out for interest and discount, etc., are also losses. They are charged, however, in bookkeeping work to their respective accounts. Any property account, such as Merchandise, Real Estate, etc., would also show a loss, if the cost of the article purchased was more than the selling price.

229. **Net Gain.**—If the total gains of the business are greater than the total losses, the excess is called the ***Net Gain.***

230. Net Loss.—If the total losses of a business are greater than the total gains, the difference between the accounts is called the ***Net Loss.***

231. Net Capital.—If the total resources of a business are greater than the total liabilities, the difference between the resources and the liabilities is called the ***Net Capital*** or ***Present Worth.***

232. Proof of the Balance Sheet.—A proof of the Balance Sheet is obtained by finding the net gain or net loss of the business. If the business is conducted at a profit, the net gain is added to the investment at the beginning of the business, or at the time of taking the last Balance Sheet, which should equal the present worth of the firm as shown by the difference between the resources and liabilities at the time of closing the books.

233. If the business has been conducted at a loss, the net loss is subtracted from the amount of the investment at the beginning of the business, or at the time of taking the last Balance Sheet, and should equal the present worth of the business as shown by the difference between the resources and liabilities.

234. Preparing a Balance Sheet.—A Balance Sheet usually includes:

1. A Trial Balance of the Ledger, showing the total debits and the total credits of the respective accounts, and from which the main portion of the Balance Sheet is derived.
2. A statement of all the resources.
3. A statement of all the liabilities.
4. The firm's present worth, as shown by the difference between the resources and liabilities.
5. An itemized list of all the accounts showing a gain; from which the total gain of the business is obtained.
6. An itemized list of the accounts showing losses, from which the total loss is obtained.
7. The net gain or the net loss. If the business was conducted at a loss, the losses would be listed in the Balance Sheet before the gains, so as to make it more convenient to subtract one amount from the other.
8. The present worth of the firm at the beginning of the business, or the time of taking the last Balance Sheet, plus the gain or minus the loss, which would equal the present worth as shown by the difference between the resources and the liabilities.

235. The Balance Sheet on the following page illustrates the form required at the present time. You will note that the first portion of this Balance Sheet shows a Trial Balance in the usual form. Following this Trial Balance is a list of the resources of H. B. Burton, which in this case are, Cash, U. S. Commission Co. and American Merchandise Co. The total sum of these resources is $5,092.70, as you will see by studying the form.

236. Note that the total resources are brought down in red ink as the total present worth of the proprietor, there being no liabilities to deduct.

237. Below the resources is an exhibit of the Merchandise account, showing the total cost of the merchandise and the total selling price of the merchandise; the cost of the merchandise being shown by the debit side of the Merchandise account, and the selling price of the merchandise being shown by the credit side of the Merchandise account, as the Merchandise account is debited for all purchases and credited for all sales.

238. The difference between the selling price, $3,189.40, and the cost, $2,996.70, shows the total gain for Mr. Burton's business to be $192.70.

239. An exhibit of the losses of the business as shown by the Expense account is next given, and found to be $100. This loss is then subtracted from the total gain, $192.70, which leaves Mr. Burton's net gain $92.70, which amount is brought down in red ink as the net gain of the Business. This net gain is then added to Mr. Burton's Stock account, $5,000, which shows the proprietor's present worth to be $5,092.70. This amount agrees with the total sum of Mr. Burton's resources, which proves, so far as possible, the correctness of the Balance Sheet.

240. The figures at the left of this Balance Sheet show the pages in the Ledger on which the various accounts may be found.

241. You may now turn to the back of the Guide and carefully read Chapter 1, Part II, after which you may prepare a Balance Sheet for your business on a sheet of journal paper, in accordance with the form given on the following page.

When this Balance Sheet is completed, submit a copy of it to your teacher for inspection, and when approved, you will copy it neatly on the second page of your Trial Balance Book, beginning at the top of the page.

Balance Sheet. Sept. 30. 1909

1	N. B. Burton		5000
3	Expense	100	
4	Mdse	299670	318940
2	Cash	549930	150270
5	U. S. Commission Co.	64990	
6	American Merchandise Co.	44620	
		969210	969210

Resources

2	Cash.	399660	
5	U. S. Commission Co.	64990	
6	American Merchandise Co.	44620	509270
	N. B. Burtons Present Worth		509270

Gains

4	Mdse. Sales	318940	
	" Cost	299670	
	" Gain		19270

Losses

3	Expense		100
	N. B. Burtons Net Gain		9270

N. B. Burton Stock

1	Cr. by net investment	5000	
	" " " gain	9270	509270
	N. B. Burtons Present Worth		509270

METHODS OF CLOSING LEDGER ACCOUNTS

242. Some firms require closing entries to be made directly from one side of an account in the Ledger to the other, or from one account to another, without journal entries. In such cases, red ink is used when a resource or a loss is forced on the right-hand side or when a liability or a gain is forced on the left-hand side. This is called "Closing Direct." Other firms require all closing entries to be journalized and posted to the Ledger. In most cases in courtwork, all entries in the Ledger are required to appear in a book of original entry. In such case all closing entries would have to be journalized and posted, and no red ink postings would appear in the Ledger; all closing entries would appear in black ink.

Still a few other firms require only the Loss and Gain closing entries to be closed through the Journal.

CLASSIFICATION OF ACCOUNTS AND CLOSING "DIRECT"

Before starting to close the accounts of the Ledger, it is well for the learner to understand the classification of accounts, as the different classes are not closed in the same way.

Classes of Accounts. On the basis of Assets and Debts, Losses and Profits, accounts fall into four classes: 1. Resources (or Assets); 2. Liabilities (or Debts); 3. Losses; 4. Gains.

A Resource is anything of value belonging to the business. A Liability is any obligation, or debt, the business owes. A Loss is an expense of the business. A Gain is a profit of the business.

On the basis of Loss-producing or Gain-producing, or neither Loss- nor Gain-producing, and of summations to show the final result of the business and to prove the closing of the Ledger, accounts fall into three classes. These classes are variously named: *A*. Real (or Nonspeculative); *B*. Nominal (Representative or Speculative); *C*. Summary.

Real Accounts (or Nonspeculative) are those accounts that are not expected to fluctuate in value; as, Cash, Bills Receivable, Bills Payable, and personal accounts; and whose balance shows a resource or a liability.

To Close a Real Account (or Nonspeculative) find the difference between the two sides and if the difference or balance falls on the debit side it is a resource, since by (2) (c) par. 15, "Resources" belong on the left-hand or debit side. If on the credit side, it is a liability, since by (3) (c) par. 15, "Liabilities" belong on the right-hand or credit side. Write "Balance" and the amount of the balance on the smaller side, in red ink, foot, double rule, and bring down the balance below the double ruling on the opposite side from the red ink, and in black ink.

Nominal Accounts (Representative or Speculative) are those accounts that are expected to fluctuate in value; as, merchandise, real estate, interest, bank stock, etc.; or they are accounts that grow out of the necessary outlay to carry on the business; as, rent, clerkhire, etc.; and whose balances show a loss or a gain.

To Close a Nominal Account (Representative or Speculative) first determine whether the account has an inventory; that is, whether there is anything of value belonging to this account that is not shown in the account, and whether there is anything due on this account that is not shown in the account. The word "inventory" means the thing discovered, that is, it is not shown in the account and therefore has to be found by search, and a value placed thereon. If the account has anything of value belonging to it that is not shown in the account, it is a resource inventory, and a resource inventory will have to be entered on the credit side of its account, in red ink. If there is anything due on this account that is not shown in the account it is a liability inventory, and a liability inventory will have to be entered on the debit side of its account, in red ink; because, before an account can show either loss or gain, everything of value belonging to it will have to be sold or represented as sold and every debt due on this account will have to be paid or represented as paid. By entering the resource inventory on the credit side, in red ink, the resource inventory is represented as sold; and by entering the liability inventory on the debit side, in red ink, the liability inventory, or debt, is represented as paid. If this is not clear to the learner, he should make a Journal entry on journal paper, representing that the balance of Mdse or other account, has been sold for cash. This Journal entry would be Cash to Mdse. He will then see that the Mdse item would be posted to the credit of the Mdse account; and hence to represent the resource inventory as sold, the resource inventory (if any) will have to be entered on the credit side of its account, in red ink. If there is anything yet due on the account, as an unpaid freight bill, let him make the Journal entry as Mdse to Cash. (Many merchants charge in-freight directly to the Mdse account. In any event in-freight is closed to the debit of Mdse account.) He will then see that the Mdse item would post to the debit side of Mdse account, and hence, to represent a liability inventory, as paid and the debt discharged, the liability inventory will have to be entered on the debit side of its account, in red ink.

Returned Mdse Account.—A little explanation of the origin of this account will make the closing of it plain. An account should be opened with Returned Mdse, and when you return merchandise you should debit the firm the merchandise was returned to, and credit Returned Mdse. When merchandise is returned to you, you should debit Returned Mdse and credit the firm returning the merchandise. (In case of many "Returns" it is well to keep book of "Returns.")

To Close Retd Mdse Account, write, in red ink, "Mdse," with its folio, and the debit amount, on the credit side; then write, in red ink, "Mdse," with its folio, and the credit amount, on the debit side; this will balance the account. Then carry the black ink debit amount of Retd Mdse account to the credit side of Mdse account, writing "Retd Mdse," with its folio, and the amount, in red ink. Next, carry the black ink credit amount of "Retd Mdse" account to the debit side of Mdse account, writing "Retd Mdse," with its folio, and the amount in red ink. Then subtract these red ink entries from the totals of the respective sides of the Mdse account. This will leave the net purchases and the net sales of Mdse. Foot and double rule the Retd Mdse account.

The Rule for Closing Nominal Accounts may be stated thus: 1. When the balance of a Nominal account falls on the debit side, after adding the resource inventory (if any) to the credit side, and the liability inventory (if any) to the debit side, the difference or balance is a loss; since by (2) (c) par 15, "Losses" belong on the debit side. 2. When the balance of a Nominal account falls on the credit side, after adding the resource inventory (if any) to the credit side, and the liability inventory (if any) to the debit side, the difference or balance is a gain; since by (3) (c) par. 15, "Gains" be-

long on the right-hand or credit side. The account is then closed by writing Loss and Gain on the smaller side, in red ink, footing and ruling up, and bringing down the resource inventory (if any) on the left-hand, or resource side, in black ink, and the liability inventory (if any) on the right-hand or liability side, in black ink; or on opposite sides, in black ink, below the ruling. The "Loss and Gain" entry, if on the debit side, is carried to the opposite (or credit) side of the Loss and Gain account, in black ink. If on the credit side, to the opposite (or debit) side of the Loss and Gain account, in black ink.

Summary Accounts are accounts that show a summation or a collection of the results of other accounts, such as the Loss and Gain account; the Balance of Balances account, etc.

Closing the Summary Account, Loss and Gain, depends on the wishes of the proprietor. If he desires the gain or the loss closed into his Stock account, then find the difference between the two sides and write "H. B. Burton, Stock," and the amount, on the smaller side, in red ink, and foot and rule the account. Then carry this red ink entry to the opposite side of the proprietor's account; that is, if a gain, the red ink entry would fall on the debit side of the Loss and Gain account and would be carried to the credit side of his stock account, in black ink. If a loss, the red ink entry would fall on the credit side of the Loss and Gain account and would be carried to the debit side of his stock account, in black ink.

If the proprietor desires his gain closed into Surplus Fund or Surplus account, then write Surplus Fund or Surplus and the amount of the gain on the smaller side, in red ink, open a Surplus account, and carry the gain to the credit side of the Surplus account, in black ink.

If the proprietor desires the gain closed one-half into a Private account, and the other half into Surplus, then write H. B. Burton, Private, and give this account half the gain, in red ink; and then write Surplus, and give this account the other half, in red ink. Then open an account with H. B. Burton, Private, and carry half the gain to the credit of this account, in black ink, and the other half to the credit of Surplus account, in black ink.

If the business should show a loss, the proprietor might desire to let the loss stand on the debit side of the Loss and Gain account as "Balance" in black ink, below the ruling. Or he might decide to have it carried to an Impairment account or fund, or some other name that would not divulge at once that it is a loss. In that event, write Impairment and the amount of the loss on the credit side of the Loss and Gain account, in red ink; then open an Impairment account and carry the loss to the debit side of that account, in black ink.

Proprietor's Stock Account is a Real account. If the proprietor decides to add his net gain to his investment, he, in effect, makes an additional investment and the net gain then becomes a Real account and is merged with his Stock account. If a loss, and the proprietor decides to close it into his Stock account he diminishes his Stock account by the amount of the loss. The Proprietor's Stock account is closed with Total Investment or Total Present Worth or Balance Present Worth or Net Investment, depending on whether it is total, balance or net, by writing Total P. W. etc., on the debit side, in red ink; and after footing and ruling, bringing down the Total P. W. etc., on the opposite side below the ruling, and in black ink.

Balance of Balances Account is closed by carrying all balances brought down on the left-hand or debit side of accounts to the left-hand or debit side of the Balance of Balances account; and all balances brought down on the right-hand or credit side of accounts to the credit side of the Balance of Balances account. Since by (1) par. 15, the debits must equal the credits, the two sides will balance if the Ledger is closed properly. When the two sides balance, foot and rule the account.

Another classification of accounts often met with is Business, Financial, and Summary.

The Business accounts are Nominal, Representative or Speculative accounts; as, merchandise, real estate, bank stock, etc.

The Financial accounts are accounts that represent the investment of all kinds, the resources of the business, and the liabilities or obligations of the business; as, Cash, Bills Receivable, Bills Payable, Personal Accounts, due to us or from us, and all inventories, both resource and liability.

The Summary accounts were defined under the other classifications.

The method of closing these accounts has already been described.

REASONS FOR USING RED INK

The red ink entry as used in the foregoing directions for closing Ledger accounts, indicates that no actual transaction occurred, no corresponding entry having been made, and that the entry (or item) was not posted from any book of original entry. It is made a Double Entry, however, by recording the same amount in black ink on the opposite side of the same account below the double ruling, or is carried to the opposite side of some other account to which it is transferred, in black ink.

It is not a mere makeshift, brought in for the purpose of showing the Ledger accounts in balance, but is based on the principles of the science of Double Entry Bookkeeping as expressed in par. 15.

According to (2) (c) par. 15, "Resources and Losses" are debited, that is, entered on the left-hand or debit side in black ink, and by (3) (c) par. 15, "Liabilities and Gains" are credited, that is, entered on the right-hand or credit side in black ink. The rule for the proper position, then, is "Resources and Losses" on the left-hand side, in black ink; "Liabilities and Gains" on the right-hand side, in black ink. Then if a Resource or a Loss is forced on the right-hand side for the purpose of making the two sides of an account balance, foot alike, the Resource or the Loss is written in red ink to show that it is out of its rightful place and the red ink stands as a promise to carry it back to its proper side of the Ledger. When it is carried back to its proper side of the same account, it is written below the closing lines on the opposite side from the red ink, and in black ink. When it is transferred to some other account it is entered on the opposite side from the red ink, above the closing ruling, and in black ink, because it is then on its proper side.

If a Liability or a Gain is forced on the left-hand side for the purpose of making the two sides of an account balance, foot alike, the Liability or the Gain is written in red ink, to show that it is out of its rightful place, and the red ink entry stands as a promise to carry it back to its proper side of the Ledger. When it is carried back to its proper side of the same account, it is entered below the closing lines on the opposite side from the red ink, and in black ink. When it is transferred to some other account, it is entered on the opposite side from the red ink above the closing ruling, and in black ink, because it is then on its proper side of the Ledger.

CLOSING BY JOURNAL ENTRIES

In case all closing entries are required to be journalized, the inventories should be journalized first, because they come first in order of closing.

1. When the inventories are required to be journalized, each account having an inventory is debited and credited with the amount of its inventory. If an account has both a Resource and a Liability inventory, such account will have to be debited and credited with the amount of its Resource inventory and also debited and credited with the amount of its Liability inventory.

These Journal entries may be made in a compound Journal entry of Sundries to Sundries, or each entry may appear separately.

In case the inventories should be required to be journalized, the compound entry would be as follows:

ILLUSTRATIVE ENTRIES

Date			L F					
19		Sundries to Sundries						
Jan.	1	Mdse Invry	4	$1200				
		Mdse Invry	4			$1200		
		Int. and Dis. (Res.) Invry	5	144	65			
		Int. and Dis. (Res.) Invry	5			144	65	
		Int. and Dis. (Lia.) Invry	5	104	79			
		Int. and Dis. (Lia.) Invry	5			104	79	
		Chattels Invry	8	250				
		Chattels Invry	8			250		
		Fur. and Fix. Invry	9	225				
		Fur. and Fix. Invry	9			225		
		Explanation—Journal entries necessary to close the inventories for the.....Trial Balance. Or Journal entries necessary to show the closing of the inventories at the end of.....19....						

The word "Sundries" means several, and "Sundries to Sundries," as a heading or title, means that there are more than one debit item and more than one credit item. After the meaning and the use of "Sundries" in this connection are thoroughly understood by the student, such heading may be omitted if the teacher prefers.

In case of journalized resource inventories, the credit Journal entries are posted before the closing lines are ruled; and the debit entries are posted below the closing lines.

In case of journalized liability inventories, the debit entries are posted before the closing lines are ruled, and the credits after.

2. When required to journalize the Loss and Gain entries:

(*a*) Accounts showing a loss are credited, and Loss and Gain debited for the amount of the loss.

(*b*) Accounts showing a gain are debited, and Loss and Gain credited for the amount of the gain.

(*c*) If the Loss and Gain account shows a gain, the Loss and Gain account is debited, and the proprietor's Stock or Private account (or Reserve Fund, or Undivided Profits, etc.,) credited for the amount of the gain. (In case the proprietor has a Private account, the Private account would be credited.)

(*d*) If the Loss and Gain account shows a loss, the Loss and Gain account is credited, and the proprietor's Stock account or Private account (or Impairment account, etc.,) is debited. (In case of incorporation or pivotal account or other business in which it is not desired to change the investment or capital stock, the gain, as Reserve Fund, Undivided Profits, etc., or the loss, as Impairment Fund, etc., would show below the closing lines.)

Date			L F					
19		Sundries to Sundries						
Jan.	1	Loss and Gain	19	$251	50			
		Chattels	8			251	50	
		Loss and Gain	19	194	87			
		Fur. and Fix	9			194	87	
		Loss and Gain	19	40	25			
		Expense	9			40	25	
		Loss and Gain	19	50				
		Insurance	18			50		
		Loss and Gain	19	230				
		Real Estate	21			230		
		Loss and Gain	19	75				
		Salary	23			75		
		Loss and Gain	19	14	24			
		Books and Stationery	10			14	24	
		Loss and Gain	19	52	38			
		Fuel	28			52	38	
		Loss and Gain	19	1505	97			
		H. B. Burton, Private	1			1505	97	
		Mdse	4	160				
		Retd Mdse	17			160		
		Retd Mdse	17	95				
		Mdse	4			95		
		Explanation—Journal entries necessary to show the gain for the .....Trial Balance. Or Journal entries necessary to close the Speculative accounts for the month of.....19....						

NOTE—The last two entries transfer Retd Mdse account to the Mdse account in order that the credit amount of Retd Mdse account may be subtracted from the purchases, and the debit amount from the sales. The debit amount of Retd Mdse account is $95 and the credit amount is $160.

To make Retd Mdse account balance, write the total debit amount on the credit side, and the total credit amount on the debit side; foot and rule. As the account is disposed of by the Journal entries, writing the total debit amount on the credit side, and the total credit amount on the debit side does not affect the equilibrium of the Ledger in any way at all; but it makes the two sides foot alike, balance, that the account may be ruled up.

3. When Nonspeculative accounts are required to be closed, balanced, by Journal entries, and the balances brought down below the closing lines, each account is debited and credited with the difference between the two sides. The amounts that are to show above the closing ruling are posted before the closing lines are ruled, and the amounts to show below the closing lines, after.

Date			L F					
19		Sundries to Sundries						
Jan.	1	H. B. Burton, Stock, Bal.	1	$6057	95			
		H. B. Burton, Stock, Bal.	1			$6057	95	
		Bills Rec., Bal.	5	7445	75			
		Bills Rec., Bal.	5			7445	75	
		A. R. Rice, Bal.	6	462	25			
		A. R. Rice, Bal.	6			462	25	
		A. P. Daggett, Bal.	6	730	40			
		A. P. Daggett, Bal.	6			730	40	
		Robt. Taggart, Bal.	7	675				
		Robt. Taggart, Bal.	7			675		
		G. M. Lyons, Bal.	7	756	22			
		G. M. Lyons, Bal.	7			756	22	
		T. D. Aker, Bal.	8	1280				
		T. D. Aker, Bal.	8			1280		
		C. C. Cooper, Bal.	11	775	50			
		C. C. Cooper, Bal.	11			775	50	
		College Prod. Co., Bal.	11	8747	97			
		College Prod. Co., Bal.	11			8747	97	
		W. W. Wier, Bal.	13	905	55			
		W. W. Wier, Bal.	13			905	55	
		Explanation—Journal entries necessary to close the Nonspeculative accounts and to bring down the balances.....19....						

4. Journal entries may be used to transfer accounts from an old Ledger to a new Ledger or from one page of the Ledger to another. See par. 285, 290.

N. B. The learner must not forget that when closing entries are made through Journal entries, no red ink entry appears on the Ledger.

5. Some firms require all closing entries and all ruling to be made in black ink. This should be avoided by students because of the difficulty to be met in looking up errors.

6. For illustrations of Direct Closing, see par. 414. For illustrations of closing by Journal entries, see par. 250.

It is well for the learner to be familiar with both methods of closing Ledger accounts. In his schoolwork he is to follow the method preferred by his teacher. In his work as bookkeeper, he is to follow the method preferred by his employer.

SUGGESTIONS ON RULING

Bookkeepers are not agreed as to the ruling in books of account, but is it well for the student to adopt some simple and consistent ruling and to follow it. He will thus save time and give his books a uniform appearance.

It is believed that the following suggestive rules will be found helpful:

(*a*) Single rule for addition or subtraction.

(*b*) Double rule all accounts finally disposed of. This includes accounts that are in balance, accounts that are balanced, the final footing of the Journal for each period to be posted; the total amount posted from books of original entry such as the Sales Book, Purchase Book, etc. Also totals of Resources, Liabilities, Losses, and Gains, in Statements; or of other summaries.

If the Balance only is carried forward, write "Fwd" after "Bal." and set in the folio column the number of the page to which the "Bal." is carried. Single rule for addition. Double rule under the footings, but do not bring down the "Bal." below the double ruling. On the page to which the "Bal." is brought, write "Bal. Brt Fwd" and set in the folio column the number of the page from which the "Bal." was brought.

If the debit and the credit footings are carried forward, write "Fwd" in both explanation columns, and set in both folio columns the number of the page to which the footings are carried.

Single rule for addition, but do not put any ruling under the footings.

On the page to which the footings are brought, write in both explanation columns, "Brt Fwd," and set in both folio columns the number of the page from which the footings were brought. See par. 285, 290. In ruling off space to prevent subsequent posting therein, rule from the last folio reference on the right of the explanation column, obliquely to the last line on the left of the explanation column above the footing. The student is to follow whatever method of ruling his teacher prefers.

CLOSING THE BOOKS

243. It is customary at stated intervals to transfer the losses and gains from the various accounts by which they are represented to an account called the Loss and Gain account. This account is sometimes called Profit and Loss, but as the title "Loss and Gain" is more generally accepted you will use that name.

244. After the various losses and gains of the business are grouped into this Loss and Gain account, the Net Gain or the Net Loss is transferred to the proprietor's Stock account. To do this, special entries in the Journal, called Closing Entries, will be used.

245. The following entries are those required at the present time, and after studying them over carefully so that you understand them, you will record them in your Journal immediately following the last entry.

246. The entry, Merchandise to Loss and Gain, $192.70, is to transfer the amount of gain for the Merchandise account to the Loss and Gain account. If you will look at the Merchandise account closely, you will notice that the credit side of the account is $192.70 larger than the debit side, which is the amount you have gained by buying and selling merchandise since you began your business in school, and after debiting merchandise for $192.70 the account will be in balance, and may then be ruled and gotten out of your way for further work. Do not rule the account until you are instructed to do so.

247. If you credit the Loss and Gain account for $192.70 it will transfer to the Loss and Gain account the amount you have gained by your merchandise transactions, and will in no way affect the balance of the Ledger, as you will have placed an equal amount on the debit side of the merchandise account.

248. The next entry, Loss and Gain to Expense, $100, is made to transfer the total amount of your losses on expense to the Loss and Gain account, and puts your Expense account in balance so that you may rule it and get it out of the way.

249. The next entry, Loss and Gain to yourself, Stock, is made to transfer the net gain of the business as shown by your Balance Sheet, and also by the Loss and Gain account, to your own Stock account, so that your Stock account will show your present worth at the time of closing the books. When you debit Loss and Gain for the net gain of the business, $92.70, it will make the Loss and Gain account in balance, and enable you to rule it so that it will not be in the way of future closings.

DIRECTION

250. You may now record the following entries in your Journal, writing your own name in place of "H. B. Burton." (If the teacher prefers to use "Direct Closing," he is referred to par. 242, 414 for illustrations.)

Mdse	19270	
Loss & Gain		19270
Gain on Mdse on closing the books Sept. 30, 19		
Loss & Gain	100	
Expense		100
Loss on Expense on closing the books Sept. 30, 19		
Loss & Gain	9270	
H. B. Burton, Stock		9270
For net gain of the bus. on closing the books Sept. 30, 19		

251. Open a Loss and Gain account in your Ledger. First index the account and then write the words "Loss and Gain" on the light blue line at the top of the Ledger page 7. See Loss and Gain account below.

252. Post the amounts of the closing entries to their respective accounts in the Ledger, the same as you posted any other entries, except that explanations will be used in the Ledger, that is, when you debit Merchandise write the words "Loss and Gain" in the explanation column. See Merchandise account on page 26.

253. In debiting the Loss and Gain account for $100, write the word "Expense" in the explanation column. See account below.

254. Next debit Loss and Gain for $92.70, and write your own name in the explanation column.

255. Next credit Loss and Gain for $192.70, writing the word "Merchandise" in the explanation column.

256. Next credit Expense for $100, writing the words "Loss and Gain" in the explanation column.

257. Next credit yourself for $92.70, the net gain of the business, writing the words "Loss and Gain" in the explanation column, as the words "Loss and Gain" are written in the explanation column in the Ledger account illustrated by the account at the bottom of this page.

DIRECTION

258. Balance your own stock account by entering the current date, the words "Present Worth," and the amount, $5,092.70, on the debit side of the account in *red ink;* after which you will rule the account and bring the Present Worth down on the credit side in *black ink*, as illustrated by the following form.

259. Next rule the Expense account, as illustrated below.

260. Next rule the Merchandise account, as illustrated by the Mdse account, Guide page 26.

261. Next rule the Loss and Gain account, as illustrated below.

Loss and Gain

1909					1909			
Sept. 14	Expense	7	100		Sept. 14	Mdse	7	19270
" 14	H.B. Burton	7	92 70					
			19270					19270

Expense

1909				1909			
Sept. 10		1	100	Sept. 20	Loss and Gain	7	100

H.B. Burton, Stock

1909			1909			
Sept. 14	Pres Worth	509270	Sept. 10		1	5000
			" 14	Loss and Gain	7	9270
		509270				509270
			Sept. 14	Pres Worth		509270

262. Balance of Balances.—The Ledger now being closed you may prepare a Balance of Balances, which is a Trial Balance taken from the Ledger immediately after closing it to show that the equality of the two sides of the Ledger has been maintained, and that the Ledger has not been thrown out of balance by the closing entries. Many carry this account in the Ledger; others, in the Journal.

263. You may now take a Balance of Balances as shown by the accompanying form.

Balance of Balances

1	N. B. Burton Stock		509270
2	Cash	399660	
5	U. S. Commission Co	64990	
6	American Merchandise Co	44620	
		509270	509270

264. You will now call at the bank for your Pass Book; after which read the following observations regarding this book:

265. Pass Book.—The purpose of this book is to show the amount of deposits that have been made and the number and amount of your checks that have been presented at the bank and paid by the banker, at the time the book is written up or balanced. These entries in your Pass Book are always made by the banker, and you have no right to put any figures of any kind in this book, although you are allowed to place check marks (✓) in the book to determine whether the amount as entered there agrees with the amount entered in your Banking Ledger.

266. If all of the checks that you have given out have been paid by your banker, the balance as shown by your Pass Book should exactly agree with that as shown by your Banking Ledger. If any of your checks have not yet been presented to the bank, the Pass Book will vary from your Banking Ledger by exactly the amount of your own unpaid checks. The accompanying form illustrates your Pass Book as it will appear at the present time, provided all the checks which you have issued have been received at the bank and charged to your account.

Dr. ***Merchants' Bank** in account with **H. B. Burton.*** ***Cr.***

1909					1909				1909			
Sept.	10	Deposit	5,000		Sept.	10	100		Sept.	20	1,594	
	11	"	804	30		11	207			13	266	80
	12	"	774	90		11	270			13	216	
	13	"	514	10		11	288			13	263	90
						12	243			13	315	
						12	261			13	189	
						12	225			13	252	
									Bal.	*14*	*3,996*	*60*
			7,093	30	F'w'd		1,594				7,093	30
1909 Sept.	14	Balance	3,996	60								

COMPARING THE PASS BOOK AND BANKING LEDGER

267. You may now compare the entries in the Pass Book with those in your Banking Ledger, in order to see that they correspond, and also that you may know which of your checks, if any, have not been presented at the bank.

268. Compare these two books, going over the items recorded in each, item by item, placing a small red ink check mark after the items as recorded, so that you can compare them in future without going over all of the items recorded in each book. That is, first compare your deposits, note the item $5,000, as recorded in your Banking Ledger, look in your Pass Book to see that it is properly recorded there. If it is, place a small red ink check mark immediately after the amount in the Banking Ledger, and also the amount in the Pass Book.

269. Now note the amount $804.30 as recorded in your Banking Ledger, look for the amount in your Pass Book, and if found entered there correct, place a red ink check mark after each item.

270. Now note the amount $774.90 as recorded in your Banking Ledger, and if found properly recorded in your Pass Book, check it.

271. Now note the amount $514.10 as recorded in your Banking Ledger, and if found correctly entered in your Pass Book, check it.

272. As you have now checked off all of the deposits and found them to agree, you will proceed to check the amount of your checks drawn, and paid by the banker.

273. First note the amount of check No. 1, $100. Now look for this amount in the Pass Book. If found there, place a red ink check mark after it, and so on with each item, until all of the amounts paid by your banker have been checked with the amounts entered in your Banking Ledger. Bear in mind that if you have drawn any checks that have not yet been presented to the banker, the difference between the Pass Book Balance and the Banking Ledger Balance should be exactly the amount of such checks.

274. Special Suggestions.—If you desire to reach a fair degree of proficiency in your work and to finish your course in a reasonable length of time, you must study at home, not only bookkeeping, but other branches as well.

275. Read the instructions for all of your work carefully, by first reading the entire subject, after which go back to the beginning and take up the work according to the outline in each paragraph, performing the work for each step exactly as outlined.

FILING INVOICES

276. There are several ways of filing invoices. Most business houses follow one or the other of two ways: One way is to use an Invoice Register in which is recorded the number of the invoice, the File Number, if filed by number, the Payee, Terms of Invoice, as 5/30; 2/10; etc., the Date, the Amount, Due Date, the Discount, Cash to be paid and Date Paid, and any other information the nature of the business may require. All this information is recorded on the Invoice Register.

277. Then the invoice is filed according to the scheme adopted by the house for filing invoices, in vertical files or otherwise.

278. The other way is to paste the invoice in an Invoice or Purchase Book as shown on page 43.

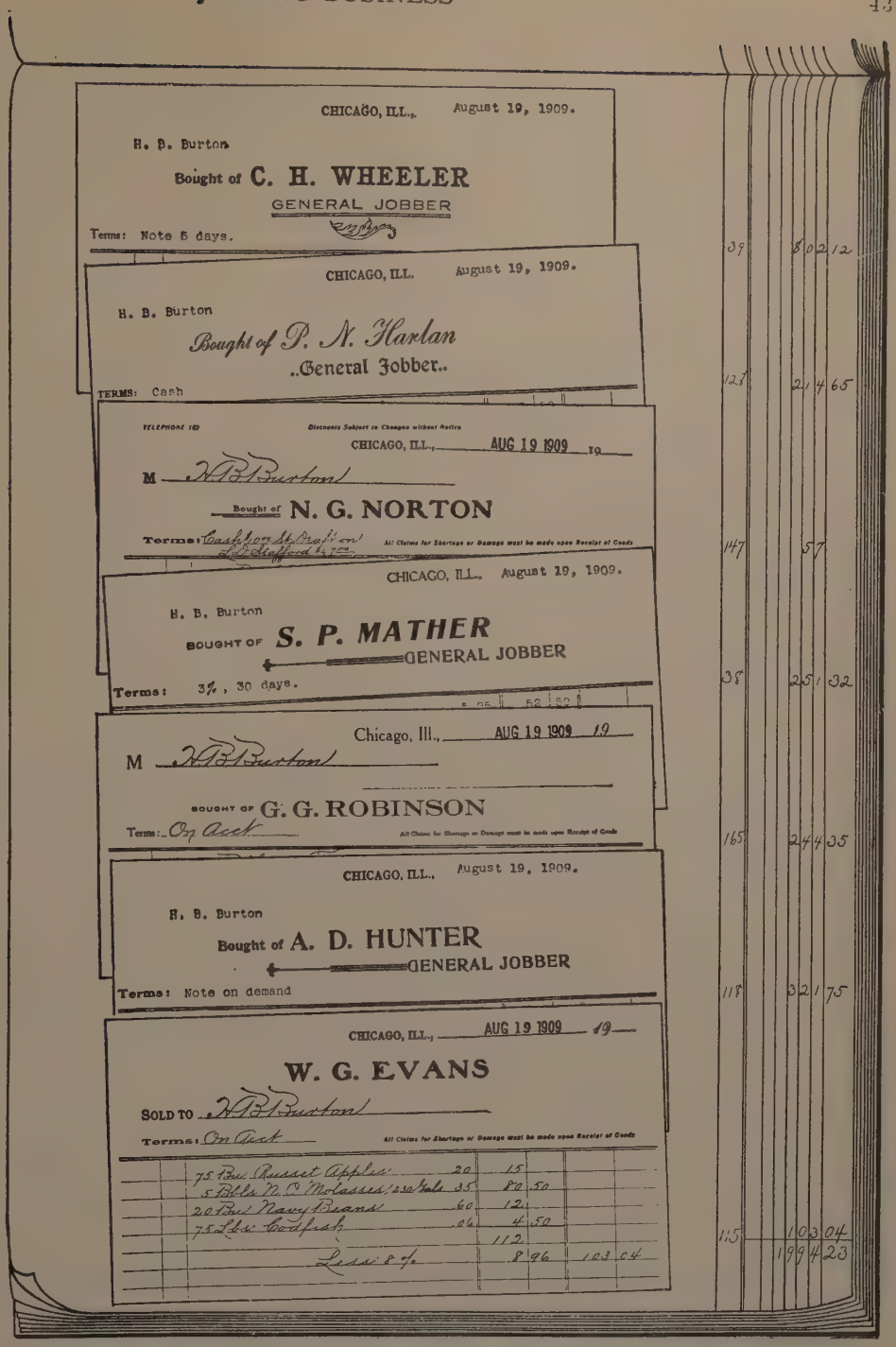
279. The amount of the invoice is extended in the money column on the right, the total of the invoices is carried forward till the end of the month when the total is posted to the debit of the merchandise account, just as the total of the Sales Book is posted to the credit of the merchandise account.

INVOICE REGISTER AND TELL TALE COMBINED — **Accounts Payable** — **Accounts Receivable**

Inv. No.	File No.	Payee	Terms	Date	Amount	Due Date J F M A M J J A S O N D	Discount	Cash	Paid	Date	Payer	Due	Amount	Paid
26		Siegel & Cooper	5/30	19 Dec. 15	167 92	J 14	E 40	159 52	19 J 14	19 Dec. 15	G. H. Butcher Co.	19 J 14	245 18	19 Dec. 14
27		Buhl Sons Co.	5/30; 2/10	Dec. 24	208 05	J 23	10 40	197 65	J 20	Dec. 15	R. H. White	J 14	118 42	Dec. 14
										Dec. 17	D. D. Wolf Co.	J 16	200 20	Dec. 15

The amount of each invoice is posted to the credit of each creditor's account, just as the amount of each sale is posted to the debit of each customer's account from the Sales Book.

If several Ledgers are used, the total of the purchases for each month is posted to the General Ledger as directed under Classification of Ledgers. If the invoices are pasted in the book, paste Invoice No. 1 in first, then No. 2 over No. 1, putting the paste on the lower edge of No. 2, allowing No. 2 to extend over and cover all of No. 1 but the name. Some paste only a small part of the lower left-hand edge to the book in order that an invoice may be easily taken out if necessary to present in court; or for other purpose. No. 3 over No. 2, and so continuing in order. (Invoices are numbered in the order of their receipt, the first received is No. 1, the next No 2, etc.)


CHICAGO, ILL., August 19, 1909.
H. B. Burton
Bought of C. H. WHEELER
GENERAL JOBBER
Terms: Note 5 days.

CHICAGO, ILL. August 19, 1909.
H. B. Burton
Bought of P. N. Harlan
..General Jobber..
TERMS: Cash

CHICAGO, ILL., AUG 19 1909 19
M H B Burton
Bought of N. G. NORTON
Terms: Cash for St. Draft on L. D. Stafford $1,700

CHICAGO, ILL., August 19, 1909.
H. B. Burton
BOUGHT OF S. P. MATHER
GENERAL JOBBER
Terms: 3%, 30 days.

Chicago, Ill., AUG 19 1909 19
M H B Burton
BOUGHT OF G. G. ROBINSON
Terms: On Acct

CHICAGO, ILL., August 19, 1909.
H. B. Burton
Bought of A. D. HUNTER
GENERAL JOBBER
Terms: Note on demand

CHICAGO, ILL., AUG 19 1909 19
W. G. EVANS
SOLD TO H B Burton
Terms: On Acct

	75 Bu. Russet Apples	20	15		
	5 Bbls N. O. Molasses	2.50 Gal	35	80	50
	20 Bu. Navy Beans		60	12	
	75 Lbs. Codfish		06	4	50
				112	
	Less 8%			8	96
				103	04

37 802 12
128 21 465
147 57
38 251 32
165 244 35
118 321 75
115 103 04
199 423

Care must be taken to have the necessary information on each invoice exposed and yet to use the space of the Purchase Book economically.

The Invoice Book may also be used as a receptacle for the invoices, by pasting them in the book in order, without extending the amounts into the money column. In that event it is not used as a posting medium.

280. The Invoice Register and Tell Tale combined, illustrated on page 42, is of much value in houses that do an extensive business. The Invoice Register shows under Accounts Payable the purchases falling due for a given period as one week or ten days as shown by an abstract of the Purchase Ledger and the amount of discount that can be saved if the payments are made within the discount period and gives the names of the creditors. The Tell Tale section shows under Accounts Receivable the amounts falling due during the same period of time as shown by an abstract of the Sales Ledger and gives the names of the debtors. Such an abstract of the Purchase and Sales Ledgers made out in periods of one week or ten days or two weeks, in advance, and laid on the manager's desk will be of great value to him in making prompt collections and meeting obligations and saving discounts for his house.

281. Daily Deposits.—You should make a deposit at, or about the close of each day, of all currency, checks, and other bankable commercial paper. Make this a custom and never fail to carry it out, even though you fail in every other part of your work. You should do this because it is a custom with every careful, shrewd business man to make a deposit of all checks and other bankable commercial papers on the very day of their receipt, if possible. In the second place, it is absolutely impossible for the banker to satisfactorily balance the Pass Book of other depositors when you are holding their checks.

282. Overdrawing Bank Account.—You should never write a check unless you have the amount of the check on deposit to your credit at the bank, unless you have first obtained the permission of the banker to do so. The bank is under no obligation to pay your checks, excepting as you have money there for that purpose, and will not do so. If, however, you should make a mistake and inadvertently overdraw your bank account, report the fact at once to your banker, after which you will report to your teacher who will advise you as to the necessary procedure.

283. Forwarding Footings.—When either page of the Banking Ledger is filled it will be necessary to forward the footings of both pages, as shown in the form on page 11. Sometimes all records for the day may be entered, but no room left for further entries of another day's transactions. At such time the balance on deposit only would be carried forward. When the Bank Balance is forwarded to a new page the balance should not be brought down below the double red ink ruling. See page 10.

284. Discount Rates.—Except by special agreement, or unless specified on the Merchandise Card or in the Business Directions, you will buy and sell according to the following discounts:

For cash or for papers drawn at sight, 5% off.
For notes or other time papers, 4% off.
On account, 3% off.

The prices printed on the cards will be followed in every instance, no discount being allowed unless specified on the Merchandise Cards, or in the Business Directions. Remember that under no circumstances whatever are you allowed to alter any of these directions or any of the prices or terms.

FORM OF BILL WITH NO DISCOUNT ALLOWED

Cincinnati, Ohio, June 22, 190 9

M H. B. Burton

BOUGHT OF W. E. Devine

DEALER IN GENERAL MERCHANDISE

TERMS Net Cash

NO.

ALL CLAIMS FOR SHORTAGE OR DAMAGE MUST BE MADE ON RECEIPT OF GOODS

	20	brls.	Cornmeal	3.60	72			
	10	"	Oatmeal	9.40	94			
	15	"	W. F. Flour	5.50	82	50		
	25	"	Super "	4.00	100		348	50

In the preparation of these red ink ruling exercises turn the beveled edge of your ruler down; do not make your lines too heavy and carefully avoid blots. If possible, procure and keep on hand a special pen for red ink.

Cash

1909 Sept. 10	1	5000	1909 Sept. 11		1	100
11	1	12350	11		1	207
11	1	95	11		1	270
11	1	152	11		2	288
11	2	133	11	Bal.		493930
11	2	15360				
11	2	14720				
		580430				580430
1909 Sept. 12	Balance	493930	1909 Sept. 12		2	243
12	2	190	12		3	261
12	2	6650	12		3	225
12	3	14250	12	Bal.		498520
12	3	13580				
12	3	12610				
12	3	114				
		571420				571420
1909 Sept. 13	Balance	498520	1909 Sept. 13		4	26680
13	4	14550	13		4	216
13	4	140	13		5	26390
13	4	97	13		5	315
13	5	13160	13		5	189
			13		5	252
			13	Bal.		399660
		549930				549930
1909 Sept. 14	Balance	399660	1909 Sept. 14		6	414
			14		6	114
			14		6	2050
			14	Bal.		141860
		399660				399660
1909 Sept. 15	Balance	141860	1909 Sept. 15		7	57019
15	7	2580	15		7	15290
			15		7	11522
			15	Bal. fwd.	9	316029
		399860				399860

Cash

1909					1909			
Sept. 16	Bot. fwd. L	1	3160 29		Sept. 16	Bal		764469
16		7	47530					
16		8	387610					
16		9	133					
			764469					764469
1909					1909			
Sept. 17	Balance		764469		Sept. 17		9	540
17		9	495			17	10	756
17		9	17460			17 Bal		701829
			831429					831429
1909					1909			
Sept. 18	Balance		701829		Sept. 18		10	12610
18		10	412				10	13120
18		10	540				10	14130
18	Overdraft		11898				10	14260
							11	14689
							11	16136
							11	14234
							12	13826
							12	321642
							12	216460
							12	264120
			915227					915227
1909					1909			
Sept. 19		13	1200		Sept. 19	Over Dft.		11898
19		13	112					
19		13	960					
19		14	1000					
19		14	100					
19		14	4000					
19		14	300					
19		14	12610					
19		15	342					
19		15	400					
19		15	120					
19			30					
	Fwd. L	3	86901 0			Fwd. L	3	11898

Cash

1909					1909				
Sept. 20	Brt Fwd	2	869	10	Sept. 20	Brt Fwd	2	118	98
20		13	100		20		13	100	
20		14	260		20		13	266	
					20		13	143	
					20	Bal		735	12
			905	10				905	10
1909 Sept. 21	Balance		735	12					

285. Transferring Ledger Account.—When either the debit or credit side of a Ledger account has filled a page within two lines of the bottom, the account should be transferred to a new page by ruling it up and transferring the debit and credit footings. Write in the explanation columns, "Fwd," and in the folio columns the page to which you transfer the account. When a Ledger account is transferred to a new page, it should be indicated in the Ledger Index as you were instructed on Guide page 21.

286. When the new account is properly indexed in the Ledger, the footings of the old account should be brought forward as shown in the Cash account above.

287. Some bookkeepers in transferring an account to a new page, balance the account and carry the balance forward instead of the footings. We do not consider it advisable to do this for the following reasons:

288. First, it is a disadvantage in settling long standing or running accounts. Second, it is much more difficult to correct an error when an account has been balanced than when it has not been balanced. Third, if it is desired to know the total amount of the debits and the total amount of the credits contained in any account, it cannot be readily found if the account has been balanced at various intervals.

289. For the above reasons you should never close any account unless it is in balance, except the Cash account, which should be balanced at the end of every day's business.

290. Transferring Accounts to a New Ledger.—When accounts are transferred to a new Ledger, the balance only should be transferred. In this case the process is identical with that of transferring the account from one page to another in the Ledger, except that the letters "N. L." (N. L. means New Ledger) are written in the explanation column of the old Ledger, and the ledger folio of the new Ledger account is written in the old Ledger, and the words, "Balance from O. L." (O. L. means old Ledger), and the ledger folio of the old Ledger is written in the proper column of the new Ledger.

291. Figures and Penmanship.—Good figures are absolutely indispensible in bookkeeping. If one would be a successful bookkeeper, he must cultivate high proficiency in this respect. Good penmanship is important, but good figures are more important. Therefore, be especially careful in this part of your work.

292. Explanation of Entries.—Remember that every Journal Entry should be accompanied by a brief but clear explanation. This explanation should be exceptionally clear, to enable anyone, whether he has a knowledge of bookkeeping or not, to understand the details of the transaction. No work hereafter will be accepted unless a full and complete explanation is written after each and every Journal entry.

293. Counter Entries.—A Counter Entry is one that cancels or annuls some previous entry by reversing it. That is, if you had previously debited M. E. Baker and credited Merchandise for $10, and afterwards he returned the goods, the Counter Entry would be as follows:

Mdse (or Retd Mdse)..... $10
M. E. Baker..... $10
For Mdse Returned.

294. Cross Entries.—A Cross Entry is one that adjusts an error that previously was made in some account. That is, if we had debited J. M. Dunn for $10 which should have been charged to E. P. Brown, the cross entry would be:

E. P. Brown ..... $10.
J. M. Dunn ..... $10.
To correct error in charging J. M. Dunn for $10 that should have been charged to E. P. Brown, see entry No. 3, Journal page 21.

295. Adjusting Entries.—An Adjusting Entry is one made for the purpose of correcting an error in an account, or to settle some disputed account on which there may have been an overcharge, or an insufficient charge, or to set right the respective debit or credit entries between partners or other business firms up to the present or to some other specified time. Should you have occasion to make adjusting entries in your books, you will call on your teacher for information as to the best way of making such entries.

296. How to Make Corrections.—Remember that you are not under any circumstances to make any erasures or any changes of any kind in any entry without first consulting your teacher as to the best method of doing the same. Incorrect entries should never be erased, but by writing the entire entry correctly. A wrong entry may be cancelled by writing the word "Void" across it in red ink, but as this disfigures your book it is better to cross out the entry, that is, make a check-mark, ✓, opposite each item of the debits and credits of the entry in the ledger folio column, which indicates that the entry is not to be posted, and also cross out the figures in the money column, thus: ~~2 8 2 x 8 x~~

297. All of these corrections should be made in red ink.

298. If the error happens to be in one amount only, this amount may be crossed out, and the correct amount written above it, thus: ~~24 2 3 81~~ / 24 3 2 8 x

299. In case you should make an error that cannot be easily corrected under these suggestions your teacher will advise you as to the best method of making the correction. Much depends upon the peculiar circumstances of an error as to what method may be employed to the best advantage in correcting it, and you will acquire by experience the better plan.

300. Deposits.—In case you receive currency, deposit it at the bank, and never use it in buying goods or paying bills unless you are instructed to do so. It is the custom of large business houses to pay all accounts by check. One object in doing this is that your check is always a receipt for payment of the account when returned to you, and paying all bills by check avoids much trouble in keeping your Cash account in balance.

301. Bills Receivable Account.—All notes and other written promises to pay us, which would be included among the resources of our business, are known as ***Bills Receivable.***

302. An account is kept in the Ledger with Bills Receivable, and this account is debited for all written obligations to pay us when received, and credited whenever we receive money for Bills Receivable either wholly or in part.

303. Inspection of the Bill Register.—You should carefully examine your Bills Receivable and Bills Payable Register each morning in order to ascertain if any of your own notes, or notes of others held by you, are due. A successful business man is punctual in paying his own obligations, also in collecting the obligations of others, on the date of maturity. Bear in mind that one who is a good collector is more likely to succeed in business than a poor collector. A poor salesman who can collect for what he sells, is much more likely to be able to pay his bills, than is a good salesman who is a poor collector.

304. Bills Receivable Register.—The use of the Bills Payable Register has already been described in paragraphs 206 to 209, and the Bills Receivable Register is used in connection with the Bills Payable Register. The Bills Receivable division of the Register is almost identical in form with that of the Bills Payable, and the printed headings will fully explain to you the use of the book. Whenever you come into possession of a Bills Receivable, you should at once make a complete record of it in the Bills Receivable Book, being careful to indicate whether the paper is a note or draft by the following method:

305. If a note is received, draw a line through the word "Draft." If a draft is received, draw a line through the word "Note." See the accompanying form.

306. Number all notes and other Bills Receivable consecutively in recording them in the Bills Receivable Register. On the back of the Bills Receivable itself, you should place a number to correspond with the number as recorded in the Bills Receivable Register. These numbers will be found convenient in making explanations in your Books of Original Entry, and they will also assist you in finding the record in the Bills Receivable Register so that you may make proper notation when it is disposed of. You should always make a Journal entry for any transaction that in any way affects any commercial paper which you hold.

BILLS RECEIVABLE

DATE OF NOTE OR DRAFT.		DRAWEE OR MAKER.	IN FAVOR OF	FOR WHAT REC'D.	WHERE PAYABLE.	NO.	INT.	FULL TIME TO RUN.	WHEN DUE. JAN.	FEB.	MAR.	APRIL.	MAY.	JUNE.	JULY.	AUG.	SEPT.	OCT.	NOV.	DEC.	YEAR.	DOLLARS.				DATE OF PAYMENT.		EXPLAIN HOW PAID.
19 Nov.	5	*J. Brown* Note ~~Draft~~	*Myself.*	*Mdse.*		*1*	*0*	*3 days*											*8*		*19*	*4*	*4*	*8*	*80*			
		Note Draft																										
		Note Draft																										
		Note Draft																										
		Note Draft																										

307 Maturity of Commercial Papers.—If a note were given May 1, payable in thirty days, the first thing to do to find its date of maturity would be to count thirty days from May 1, which would make the date of maturity May 31, or if three days of grace were allowed, June 3. If a note were given Feb. 10 for thirty days, the first thing to do to find its maturity would be to add exactly thirty days to the date of the note, which would be March 12, as there are only twenty-eight days in February, unless it happened to be a leap year. If the thirty days from the date of the note was March 12, then add three days of grace, if grace were allowed, which would make the maturity of the note March 15. If the year in which the note was written was leap year, the above note would be due March 14 in place of March 15.

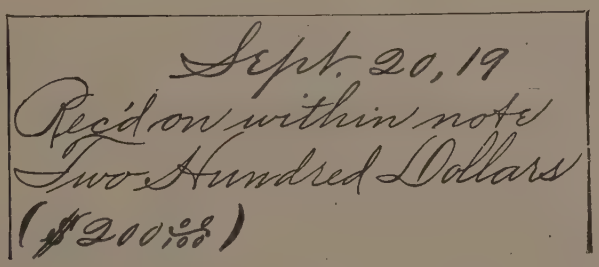
308. If a note were given Feb. 10, payable one month from date, it would be due March 10, or if three days of grace were added, March 13.

309. From the fact that notes are usually written a certain number of days, or so many months after date, great care should be taken to see that the date is indicated very plainly on the face of the note. This is so important that nearly all note-forms are provided with a place for writing the date of maturity as well as the date of issue. In figuring the due date of notes, you should always bear in mind that if the time to run is expressed in days, the actual number of days should be counted in finding the date of maturity; while if the time to run is expressed in months or years, calendar months or calendar years would be counted.

310. Sometimes a note is written with no time of payment specified in the note, just simply a promise to pay. Such a note is held by the courts to be due at once, or on presentation to the maker. It is poor business policy, however, for anyone to accept notes or other commercial papers carelessly written, or over which any dispute may arise in the future.

311. In all of your work in school you will count the days or months in determining the maturity of your commercial papers, exactly the same as you would in a real business office.

312. Part Payment of a Note.—When any payment is made on a note, if the payment is less than the amount due, including the interest, the holder should not surrender possession of the note, but should endorse the payment on the back of the note close to the left hand end, thus;



313. This endorsement should be made in the presence of the maker of the note, and in addition to this endorsement, the holder of the note should give a receipt to the maker of the note for the payment. In making the endorsement on the back of the note, the holder should not write his own name, because when he writes his name on the back of the note he makes it payable to bearer, and, if he should lose it, anyone who found it could collect same.

314. Sometimes it is not convenient to pay the entire amount of the note due at maturity, and a mutual agreement is made whereby the holder of the note surrenders it to the maker and a new note is issued to the holder of the old note for the amount still due. This is called ***Renewing a Note.***

315. Modern Forms and Methods.—The forms illustrated in this book are forms that are in use in many of the business houses of today, and the methods herein presented are the business customs in many of the best and most progressive concerns.

316. Inventory Your Knowledge and Skill.—It is an excellent plan for the student to take an inventory of his understanding of the principles of the science of Double Entry Bookkeeping, and his improvement in skill in the art, frequently, and to preserve the inventories and compare earlier with later ones to note progress. Such comparisons will lead to harder work.

BE ORDERLY AND SYSTEMATIC

317. To gain the best results in your work it is essential that you be orderly and systematic in all things. You should have a place for everything, and keep everything in its place. You should have a time for everything, and do everything in the proper time.

318. A prominent business educator recently said before his class of students, "He who can do what he is told, as he is told, and when he is told, has made great strides toward completing his business education." Through all of your work neatness, orderliness and accuracy should be prominent characteristics. These are unfailing tests of the careful bookkeeper. Do not under any circumstances attempt to write with your arm hanging over the edge of the desk. Maintain a correct position with both feet flat on the floor.

319. Books that you are not using should be carefully arranged on your desk, and you should not have things piled promiscuously at any time or for any reason. Look well to these details, and you will progress so rapidly that you will be surprised.

320. Understand your work. Should anything present itself that you do not clearly understand, you should not slur over it and let it go. You are in school to learn to do the things that you do not understand how to do. Consequently you should seek out the difficult transactions. Learn to do the things that require thought and concentrated application, and you will find that the things which appear difficult are in reality very simple. Read every paragraph of your directions. Reason out fully what you are going to do and then go about it. Do not under any circumstances ask assistance of other students.

FRACTIONAL PARTS OF A CENT

321. When an extension or an amount involves a fractional or decimal part of a cent, proceed as follows:

1. If the resulting fraction or decimal is less than one-half of a cent, disregard it.
2. If it is one-half or more, consider it as one cent. Note the following bill and explanation.

Cincinnati, Ohio, June 22, 190 9

M H. B. Burton

BOUGHT OF C. C. Cooper

DEALER IN GENERAL MERCHANDISE

TERMS On Account

NO. _____ ALL CLAIMS FOR SHORTAGE OR DAMAGE MUST BE MADE ON RECEIPT OF GOODS

1	365	lbs.	Pork	7 1/4c	98	96	
1	269	"	Corned Beef	8 1/2c	107	87	
	745	"	Lard	11 3/4c	87	54	
					294	37	
			Less 7%		20	61	273 76

Explanation.—The first item, 1,365 lbs. of pork at 7¼ cents, amounts to $98.96¼; disregarding the ¼ of a cent, the extension in entered $98.96.

The second item, 1,269 lbs. of corned beef at 8½ cents, amounts to $107.86½; considering the ½ cent as a cent, an entry of $107.87 is made

The third item, 745 lbs. of lard at 11¾ cents, amounts to $87.53¾; considering the ¾ of a cent as one cent, the extension is $87.54.

The sum of these extensions is $294.37. Seven per cent. of this sum is $20.6059, but the discount is entered as $20.61. Subtracting the discount from the total amount, leaves $273.76, the net amount of the invoice.

DAILY REMINDER

322. This is a very convenient office device, for the purpose of filing memoranda regarding transactions that are to be carried out in the future, and also for filing notes, acceptances, or other papers according to their date of maturity. It consists of a series of thirty-one numbered pockets, or compartments, corresponding to the days of the month. If a given transaction is to be performed on some future date, a memorandum is written on a small piece of paper, and placed in the compartment that corresponds to that day of the month upon which the transaction is to be performed; thus, should you receive a note for ten days on the third of the month, it should be filed in compartment No. 13, unless days of grace are allowed, in which case it would be put No. 16. If a paper falls due on some date in the next month, file it in the same manner; thus, if on the 26th of October you receive a paper due in thirty days, file it in compartment No. 25, as it falls due on November 25, provided days of grace are not allowed. By filing in this manner all papers relating to future transactions, the dates of these trannsactions may be easily kept in mind, as each morning the compartment for that day is examined, and if it contains any matured papers or other data regarding transactions for that day, these are to be attended to at once. If there are any papers in the compartment for the previous day, which for any cause have not been disposed of, these should be brought forward each morning. The Daily Reminder should also be used to remind you of the maturity of your own obligations which mature on specified dates; thus, if you buy goods at ten days on the 17th of the month, the memorandum may be dropped in compartment No. 27, which corresponds to the date of maturity. This will enable you to make preparations each morning for paying such of your obligations as mature on that day.

323. Should you present a bill or a note for payment, and the debtor be absent, the paper may be placed in the compartment for the following day, in order that it may again be presented.

324. The value of the Reminder will depend on the accuracy and regularity with which it is used. All papers that require to be referred to upon any given date in the future, should be filed in the proper compartment as soon as they are received, and the student should make a habit of consulting the Reminder each morning before taking up the business of the day.

CONSTANT ATTENTION

325. You cannot expect nor hope to become proficient in your work unless your mind is carefully centered on what you are doing at all times. You must be thorough, earnest and conscientious in all your work, and in doing so you will gain a reputation for being a responsible and entirely trustworthy young person, whom your instructors will be glad to recommend to some business house desiring the services of additional office workers.

THE BEST WAY TO MAKE A JOURNAL ENTRY

326. If you have a complicated transaction, the best way to determine the proper entry is first to make a list of everything you received, writing the respective amounts opposite each item; then make a list of everything you parted with, writing the respective amounts opposite the items. Add the items of the debit and then add the items of the credit side. If the debits equal the credits, submit the entry to your teacher for approval. Study par. 15.

327. You should learn to think from the Journal Entry to the Ledger Account, which will be affected by the transaction. One of the first qualities of a good bookkeeper is the ability to reason from the transaction to the Ledger Account, and when you have acquired this ability you will have little difficulty with your further bookkeeping work.

ITEMIZING SALES ON ACCOUNT

328. When merchandise or any other commodity is sold on account, an itemized list of what you sell must follow the Journal entry. It is a good plan also to itemize a sale for which you receive Bills Receivable in payment, although not necessary. Some of the best bookkeepers itemize all sales for which they do not receive cash, while other bookkeepers itemize only such sales as are wholly or in part on account. You will consult your teacher as to his wishes in this matter, as it is optional and the custom varies in different localities.

TESTING THE BILLS PAY. ACCOUNT

329. To test the Bills Pay. Account you should first make an itemized list of all the unpaid Bills Pay., as shown by your Bills Pay. Reg., the total of which should agree with the difference between the two sides of the Bills Pay. Account in the Ledger. This should be done at regular intervals, say every evening before putting away your books. The good bookkeeper keeps his books in balance and correct at all times, and is therefore, not bothered or hindered in his future work by seeking out errors in work already done.

TESTING BILLS RECEIVABLE ACCOUNT

330. To test the Bills Rec. Account you should first make an itemized list of the Bills Rec. on hand as shown by the Bills Rec. themselves; second, make an itemized list of all unpaid Bills Rec. as shown by the Bills Rec. Reg., which list should exactly agree with the list prepared from the vouchers themselves; third, ascertain the difference between the two sides of the Bills Rec. Account in the Ledger, which amount should equal the total of the Bills Rec. on hand and as shown by the Bills Rec. Reg.

TESTING THE MERCHANDISE ACCOUNT

331. It is not a difficult matter to determine if you have posted correctly to the debit side of the Merchandise Account for the day's business, and the usual way to do this is first to take a total of the merchandise purchases for the day, as shown by the Invoices, which amount should agree with the total amount posted to the debit side of the Merchandise Account for the current date.

332. The credit side is easily proved by making an itemized list of all merchandise credits from the Books of Original Entry for the current date, the total of which should agree with the total amount posted to the credit side of the Merchandise Account under the same date.

CHECK YOUR POSTING

333. At the close of each day's business after your Banking Ledger has been balanced and the Cash Balance entered on the credit side of the Cash Account, the account ruled up, and the balance brought down below the ruling, you should check over all postings of the day's work to see that you have made no mistake in transferring the items from the Books of Original Entry to the General Ledger. If you are not familiar with checking postings, the following explanation should be read:

334. First turn to your Journal for the business of the current day's transactions. Look at the first debit amount and then turn to the account in the Ledger and see that the amount was correctly posted. If the amount is correctly posted, place a small light pencil check-mark in the Ledger, and also in the Journal just to the left of the amount. Follow this plan until you have gone through the entire posting for the day. Many prefer to turn pencil once around, pressing firmly, making dot instead of checkmark.

335. The object of testing your work every day is to discover an error early while the bulk of the transactions recorded are fresh in your memory, and if you will do this you will find it much easier to keep your books in balance than it is to go over several days or possibly weeks' work trying to locate a refractory figure.

DAILY TRIAL BALANCES

336. Many bookkeepers, after having checked over all their postings, go through the Ledger and ascertain the total debits and the total credits of each account in the Ledger, and write these footings in pencil close underneath the last posting, so as not to interfere with subsequent postings. In adding the totals of these columns it is not necessary to include the amounts above a pencil footing as you can add the pencil footing right in with the last postings, which, of course, will give the total of the column. This is another reason for leaving the footings in the Ledger. After the accounts are all carefully added, take a slip of ordinary waste paper and make a list of all the debits in one column and all the credits in another column. Ascertain the total of each column, and if the totals agree it is reasonable to suppose that you have made no error in your posting. It is not necessary to make a permanent record of these daily trial balances, as they are merely taken to test the correctness of your work. Follow the above instructions, and the student who does not, will wonder why you progress so much more rapidly than he does.

BALANCING PASS BOOK

337. You should have your Pass Book balanced at regular intervals as it will assist your banker in detecting any errors which may arise in the record of the bank, and will also enable you to check over your own account with the bank more readily than if considerable time elapses between the balancing of the Pass Book.

338. In business houses it is customary to have the pass book balanced at least once a month, but it would be much better if the pass books were balanced twice a month.

339. Mr. Albert R. Barrett, Certified Public Accountant, in his excellent text-book on Modern Banking Methods, says as follows:

340. "Through the individual ledger desk many frauds and defalcations have occurred, generally through collusion with others, and the careful proving of the accounts by balancing the pass book is one of the best methods of preventing or discovering the same." * * * "Some depositors carelessly leave their pass books at the bank continuously, only calling for them every three or six months when they desire them balanced. Needless to speak disparagingly of this practise. No well managed bank would allow such a thing. I know of one instance where a depositor was robbed of over $4,000 by a teller and bookkeeper in collusion, by this careless practise."

341. During your course in school you should leave your pass book at the bank every Friday, and insist on having it returned to you at the beginning of your business work Monday, at which time you should carefully check over all the items recorded in the pass book with the items as recorded in your Banking Ledger, thus verifying the balance shown by your pass book. This will save you much confusion and possibly many errors in your work. Read paragraphs 267 to 275 inclusive.

COMPLETE EACH DAY'S WORK

342. The good office worker always has everything cleaned away from his desk before going home at night. Every record should be made for every transaction performed. Every incoming paper should be carefully filed in its proper place, and everything pertaining to the day's work should be completed to the minutest detail before you are ready to leave your office and go home.

Hereafter you will see that everything is done connected with your work, that your posting is all carefully checked, invoices filed, and the books neatly arranged in your desk. This will add much to your progress while in school, and prove you to be a conscientious, earnest student, whom your teachers will be glad to recommend for a desirable business position.

GOOD FIGURES

343. Good figures are indispensable in bookkeeping, hence every one who would be a successful bookkeeper must cultivate high proficiency in this respect. Remember that figures are the most important part of business penmanship; therefore, take special care that you make your figures plain, neat and according to accepted business forms.

DIRECTIONS FOR CLOSING YOUR BOOKS

1. See that all items, as recorded in the Journal, are correctly posted to their respective Ledger Accounts.
2. Test your Bills Pay. and Bills Rec. Account. See paragraphs 329 and 330.
3. Test your Banking Ledger and Cash Account, and if correct, rule them up, bringing the balance below the double ink ruling.
4. Sharpen your pencil to a fine point and add all Ledger Accounts.
5. Take a Trial Balance. No detailed directions should be necessary for this.
6. If your Trial Balance is all right, rule all Ledger Accounts that are in balance.
7. Prepare a Balance Sheet of the work which you have done, according to the general form as illustrated on page 59. This form is like the Balance Sheet which you previously prepared except that there are liabilities, the total of which is subtracted from the resources in order to give the proprietor's present worth, and the Interest Account shows a loss.
8. Make the closing entries necessary to close all accounts showing loss or gain to the Loss and Cain Account. Make these entries on a sheet of journal paper and submit them to your teacher for approval before recording them in your Journal. When approved, record them in your Journal and post to the respective accounts in the Ledger. Do not forget to put in the explanations. See pages 35 to 39.
9. Rule the Loss and Gain Account, Merchandise Account and other accounts that are in balance after posting the closing entries.
10. Close your own stock account as you did after making the preceding Balance Sheet.
11. Take a Balance of Balances, which is merely a Trial Balance of your Ledger, to see that you have made no mistake in, closing same. (*Continued on next page*).

12. Get your Statement from the bank and verify its entries.

13. Prepare your books for inspection by the teacher.

14. Present your books to your teacher for inspection.

15. While waiting for your books to be examined, write out for your teacher's inspection the answers to all questions on page 61.

16. If you have all of the questions answered you will present the work to your teacher, who will return your books with the necessary corrections marked.

17. When you have obtained your teacher's permission, you will resume the business directions in the Outline.

SALES BOOK

344. The general purpose of the Sales Book is to keep a record of all sales of merchandise. A special column may be ruled in Sales Book for sales for cash if desired.

The keeping of a Sales Book effects a great saving in the labor of posting, as the debit amounts are posted direct to the Ledger, while the credit amounts are carried forward to the end of the week or month, and then posted in total to the credit side of the Merchandise Account.

In using a Sales Book the merchandise credit is the total amount of the sales, the individual items of the sales being entered in the left-hand column of the Sales Book, as you will see by the form on pages 57 and 58.

When an entry for a sale is made in the Sales Book for cash, the entry should be made in the Cash Book, crediting the buyer for the money paid, or in the Journal if paid in any other way. In some business houses, however, the plan of making the original entry in the Sales Book and then transferring it to the Journal before posting is sometimes used, but this frustrates the object of the book entirely and renders it practically useless. In modern bookkeeping the object is to make as few entries as possible and thus accomplish the greatest results in the shortest time.

When a shipment is entered in the Sales Book, the name and address of the consignee should be entered. See page 57. Let us impress upon you at this time that the title, "Shipment No. 1 to U S. Commission Co., Battle Creek," is the title of the account and should all be entered in the Ledger. It is not sufficient to write, "U. S. Commission Co.," any more than it would be sufficient to write a part of the title of any other account, neither would "Ship. No. 1" be correct."

Itemize all cash sales as well as sales on account, for the reason that you will frequently receive an order from some customer asking that his last order be duplicated, which possibly might have been a cash sale. Having itemized the sale, you will be able to refer to it immediately. Nearly all merchants keep a duplicate copy of every bill rendered in some form or another.

When sales for notes, time drafts, or any Bills Receivable are entered in the Sales Book, the sale must also be itemized.

The student should understand that the style of the Sales Book and the method of using it depend entirely upon the business house, as many large business houses employ from ten to fifteen entry clerks, others only one or two. In some business offices a Sales Book is not used at all, the Journal being prepared with an extra column or columns to be used in place of the regular Sales Book. One important point that should not be overlooked in using the Sales Book is that in making all entries you should give the terms as specified on the bill, the customer's address in full, and any other information that may be of use at some future time. The methods that you will use during the work in the room and in the offices for recording the sales of merchandise will be sufficient to give you a thorough understanding of the different methods employed by various business houses.

SALES BOOK

Monday, Nov. 18, 19__

1. Sale on account without discount.	98	G. E. Daley, 416 West Main St., City						
		10 brls B. F. Flour	7.50	75				
		5 brls Ex. Fish	9.20	46				
		1 brl Mess Pork		21	50		142	50
2. Sale on account with trade discount allowed.	87	A. B. Crook, Charlotte, Mich.						
		5 cds Oak Wood	8.00	40				
		3 cds Spruce Wood	7.50	22	50			
		10 cds Redwood Limbs	6.50	65				
				127	50			
		Less 3%		3	83		123	67
3. Shipment of goods to be sold on commission. (Give address of consignee.)	125	Shipment No. 1 to U. S. Com. Co. Battle Creek, Mich.						
		1 Coop, 2 doz. P. Rock Chickens	.45	10	80			
		1 Coop, 3 doz. C. B. Ducks	.33⅓	12				
				22	80			
		Less 10%		2	28		20	52
4. Sale for note. Debit Bills Receivable and credit buyer in the Journal for the note received.	80	W. S. Woods, Kalamazoo, Mich. Reg. No. 14, 30 day note, int 6%						
		10 brls Ex. Flour	7.00	70				
		10 brls Mess Pork	20.00	200				
		5 brls Beef	12.00	60			330	
5. Sale for Draft. Debit Bills Receivable and credit buyer when accepted by the one on whom draft is drawn. If the drawee does not accept the draft this sale would be considered as a sale on account.	75	J. Small, South Bend, Ind. Reg. No. 15. Draft on H. Wells at 30 days, our favor						
		10 brls Ex. Flour	4.80	48				
		10 brls Corn Meal	5.25	52	50		100	50
6. Sale for acceptance. An acceptance is equivalent to a promissory note. Debit Bills Receivable and credit buyer in the Journal for the acceptance.	78	E. M. Tanner, Detroit, Mich. Reg. No. 16. Acceptance at 30 days in our favor						
		30 cds Fir Wood	4.80	144				
		10 cds Alder Wood	4.00	40				
		5 cds Spruce Wood	7.50	37	50			
		10 ton Wellington Coal	11.25	112	50		334	00
7. Sale on account where part payment is made, buyer is charged for goods bought in the Sales Book and credited for payments in the Cash Book. The credit in the Cash Book should be: "G. W. Potter (or name of buyer) to apply on Inv. No. 146."	103	C. W. Potter, Benton Harbor, Mich.						
		5 brls B. F. Flour	6.60	33				
		2 brls E. M. Flour	7.50	15				
		5 brls Mess Pork	21.00	105			153	
		(Paid $75.00)						
8. Sale for cash. Buyer is to be charged for goods in Sales Book and credited in Cash Book for his payment.	108	Arthur Welch, Jackson, Mich.						
		4 brls Mess Pork, net	20.00	80				
		10 brls E. F. Flour, net	7.50	75				
		5 brls XX Pickles, net	18.00	90			245	
		(Cash Sale)						
9. Sale on account where a discount is allowed for cash payment within a specified time. The buyer is charged with the whole bill in the Sales Book and is then credited in the Cash Book for the full amount. Credit Cash and debit Discount for the discount.	90	A. C. Meckel, 319 Pine St., City						
		20 cds Spruce Wood	12.00	240				
		18 cds Oak Wood	15.00	270			510	
		(2%, 10 days)						
10. Sale on account, with discount for part payment for cash. (Same as No. 9 except that part payment instead of full payment is made. (See "Discounts.")	90	A. C. Meckel, 319 Pine St., City						
		20 cds Spruce Wood	12.00	240				
		18 cds Oak Wood	15.00	270			510	
		(Paid $160.00 less 2%)						
		Fwd.					2 469	19

		Brt Fwd					2469	19
11. Sale on account. Discount of ten per cent allowed on sale, with freight prepaid and buyer not charged with same. Charge the freight paid to Freight and Drayage account on the Cash Book.	57	J. B. Kenney, Stockton, Calif.						
		20 brls U. Mills Flour	5.00		100			
		5 brls Pickles	6.00		30			
		3 brls Corned Beef	9.00		27			
					157			
		Less 10%			15	70	141	30
		(F. O. B. Stockton, Frt., $18.30, C. B. 102)						
12. Same as No. 11, except that freight is charged to buyer in the Cash Book. The amount should not be included in the total sale but the items should appear on the invoice sent to the buyer.	84	J. B. Weston, Chicago, Ill.						
		20 brls U. Mills Flour	5.00		100			
		5 brls Pickles	6.00		30			
		3 brls Corned Beef	9.00		27			
					157			
		Less 10%			15	70	141	30
		(Adv. Frt., $18.30, C. B. 102)						
13. Sale on account, giving specified time of credit. The time of credit is entered only when it is a different time from that usually allowed to customers.	93	Thomas Coolidge, Denver, Colo.						
		100 Note Books, 2961	.25		25			
		50 Draft Books, 3827	.23½		11	75		
		50 Receipt Books, 1649	.21		10	50		
		25 Check Books, 3871	.22		5	50	52	75
		(30 days)						
14. Same as No. 12.	93	G. E. Daley, Des Moines, Iowa						
		10 brls Rus. Apples	4.75		47	50		
		10 boxes Soap, 450 lbs.	.12		54			
		5 bags Rio Coffee 840 lbs.	.16¾		140	70		
					242	20		
		Less 10%			24	22	217	98
		Packing and Casing, $1.75						
		Drayage, .75						
		Adv. Freight 21.80						
15. Sale on account, with special discounts for each item. NOTE.—For explanation of fractions and figures to indicate discounts see "Trade Discount", page 73, par. 376.	79	A. J. Wiles, Sterling, Ill.						
		10 doz. 2 lb. canned Peas, less ¼	4.00		30			
		5 chests Y. H. Tea, 567 lbs., less ⅛	.90		340	20		
		10 boxes Gra. Crackers, less 20	2.50		20			
		1 brl Lard, 250 lbs., less 10	.12½		28	13	418	33
16. Sale in which the weight of the different parcels (in this case barrels) is given separately. There was a credit of $100 by note, at sixty days which is entered in the Journal.	92	J. F. Wyman, 251 W. Main, City						
		10 brls B. Sugar, 223, 219, 217, 231, 216, 227, 229, 214, 216, 212, total 2204	06⅛		135			
		5 brls Mess Pork, less 10%	13.75		61	87	196	87
		(Note $100.00 60 days)						
17. An ordinary entry for sale on account in which the buyer has been given credit for the merchandise returned, the amount of returned merchandise being entered in the Journal.	76	P. T. Evans, Henderson, Ky.						
		4 doz. 3-Q Journals	.68		32	64		
		2 doz. 4-Q Ledgers	.75		18			
		1 doz. 1-Q Bill Books	.22		2	64	53	28
	106	Mdse Cr.					3 691	00

Balance Sheet Nov. 30, 19

1	H.B. Burton's Stock		588255
2	Cash	1237070	817520
5	Expense	300	
9	Mdse. (Inviry 2,365.80)	1278435	1198565
13	Int. and Dis	2462	1797
16	Bills Receivable	976520	7760
19	Bills Payable	359285	376941
22	Frank Barker	564180	1093579
25	J.D. Livingston	962630	546180
27	Shipment No. 1	1265	1382.45
		5537082	5537082

Resources.

2	Cash	419550	
9	Mdse. Inviry.	236580	
16	Bills Receivable	200520	
25	J.D. Livingston	416450	12731.00

Liabilities

19	Bills Payable	17656	
22	Frank Barker	529399	547055
	H.B. Burton's Present Worth		726045

Gains.

9	Mdse. Sales	11,985.65	
	" Inviry	2365.80	
	" Total Credits	14,351.45	
	" Cost	12784.35	
	" Gain	156710	
	Shipment No. 1	11745	16845

Losses

5	Expense	300	
13	Int and Dis.	665	30665
	H.B. Burton's Net Gain		137790

H.B. Burton, Proprietor.

	Cr. by net Stock account	588255	
	" " " Gain	137790	726045
	Net Present Worth		726045

INVENTORIES, NOV. 30, 19

| | | |

EXAMINATION

1. What is a jobber or wholesaler?
2. What does an opening entry set forth and where should it be written?
3. Explain fully how a banker keeps a record of depositors' signatures.
4. What is a check?
5. How many parties are there to a check?
6. When should your checks be presented at the bank?
7. Give some important points about writing checks, and explain your reasons.
8. Explain what is meant by Filing Papers, and when should they be filed?
9. What is the difference between a bill and an invoice?
10. Explain how a bill or an invoice should be made out?
11. How should a bill be receipted?
12. Give the three principles of Double Entry Bookkeeping.
13. What is meant by journalizing a transaction?
14. What is the best proceeding if you are in doubt as to how a transaction should be recorded?
15. How does a depositor withdraw money from the bank?
16. Where should the endorsement be written on commercial paper?
17. What is the purpose of the Banking Ledger?
18. What is a deposit and how is it made?
19. On a sheet of blank paper rule a banking ledger form, and explain in full its use.
20. Do the footings in the banking ledger always agree with those of the Cash Account?
21. Explain fully what is meant by posting.
22. What is the purpose of the Folio Column in the Journal?
23. What is the purpose of the Folio Column in the Ledger?
24. For what is the Explanation Column in the Ledger used?
25. When is an account in balance?
26. What should be done with an account when it is in balance?
27. How do you transfer an account from one page of the Ledger to another, and when should this be done?
28. If the debit side of the Cash Account is the larger what does it show?
29. Define a Promissory Note.
30. How many parties are there to a note?
31. How do you determine the maturity of a note?
32. Are 'days of grace' allowed on checks?
33. How should you dispose of a note that you have paid?
34. Define a Trial Balance.
35. Define resources.
36. Define liabilities.
37. Define losses.
38. Define gains.
39. Define proprietor s present worth.
40. Write a detailed explanation as to how you would go about it to prepare a Balance Sheet of your business.
41. Define net gain.
42. What is meant when a firm is said to be insolvent?
43. How do you determine the losses or gains in the Merchandise Account?
44. How many ways are there to determine the proprietor's present worth?
45. What is the purpose of the Invoice Book?
46. For what should red ink be used in your bookkeeping work?
47. What can you say regarding business penmanship and figures?
48. What can you say of the importance of system and order in all your work?
49. What should be done every night before leaving the room?
50. In making extensions in bills, interest computations, etc., how are fractional parts of a cent disposed of?
51. What is your opinion concerning lead pencil figures, check marks, etc.?
52. What would you say of the importance of accuracy in adding and other business calculations?
53. When do you make an itemized list of merchandise or other commodities sold in the Journal Entries?

When the above examination is completed hand the manuscript to your teacher.

QUESTIONS AND ANSWERS

INTRODUCTORY

1. What is a business transaction?

The performance of some act, or the making of some agreement relating to one's business or financial affairs, as to purchase, sell or exchange property, to borrow or loan money, etc.

2. What is the general purpose of bookkeeping?

To keep a plain and systematic record of business transactions and of the profits or losses that result from these transactions.

3. Mention some things that are necessary in order to secure neatness in the keeping of a set of books.

The hands should be kept clean, and the desk and books free from dust, etc.; the blotter should be employed freely, but one side being used; books should not be left lying about open when they are not being used, and care should be exercised in the management of pen, ink, and mucilage. Should any book be blotted or otherwise soiled, the disfigurement should at once be removed. See, also, page 1.

4. Name some aids to order and accuracy.

There should be a fixed place for every book, article of stationery, or desk appliance, and it should be kept in this place except when in actual use. The regular course of procedure required in the different kinds of transactions should never be varied. Every addition or other arithmetical computation, should be carefully verified before making any record depending upon such computation. All writing, especially of proper names and figures, should be so plain as to make mistakes in reading impossible. Any tendency to carelessness or absent mindedness *must* be promptly corrected. There is no safety except in acquiring permanently, the habit of *fixed attention* to the matter in hand.

5. What is a debit?

It is a term applied to amounts that are entered in the left-hand, or "debit," column of a book or of an account.

6. What is a credit?

A term applied to an amount entered on the right-hand, or "credit," column of a book or of an account.

7. Upon what general principle is double entry bookkeeping based?

Upon the principle of *debit* and *credit*.

8. What is this principle?

The debits and credits arising from any transaction or series of transactions, equal in amount.

9. What is an entry?

Any formal record of a business transaction.

10. What do you mean by debiting an account?

Making a charge, or entry, against that account, of a certain amount, which amount is to be posted to the debit side of the account.

11. What do you mean by crediting an account?

Making an entry of a certain sum in favor of the account, which sum is to be posted to the credit side of the account.

12. What is meant by the balance of an account?

The difference between the sums obtained by adding the opposite sides of the account.

13. Give a general rule for debits.

We debit what we receive, or what costs us value. We debit persons when we sell to them on account, or pay them on account.

14. Give a general rule for credits.

We credit what we part with, or what produces us value. We credit persons when we buy of them on account, or when they pay us on account.

15. When do you debit Cash?

When it is received.

16. When do you credit Cash?

When it is paid out.

17. When do you debit Merchandise?

When it is bought or received.

18. When do you credit Merchandise?

When it is sold or parted with.

19. When do you debit Expense?

When we pay out cash, or otherwise buy anything required for the business, as for rent, taxes, fuel, lights, clerk hire, or the like.

20. When do you debit a person?

When he becomes indebted to us, or when we pay him on account.

21. When do you credit a person?

When we become indebted to him, or when he pays us on account.

22. When do you debit Bills Payable?

When we pay wholly or in part, our own note or other written promise to pay.

23. When do you credit Bills Payable?

When we issue our own note, or other written obligation.

24. What is meant by "opening the books"?

Making a journal entry, setting forth the character and purpose of the business, the amount and kind of resources invested, and a statement of the liabilities, if any.

25. What is meant by a book of original entry?

A book in which the first record of a transaction appears. In the Jobbing Business the Journal is the only book of original entry.

26. In what book are the accounts of a business kept?

In the Ledger.

DEPOSITS AND CHECKS

27. Why are checks treated as cash?

Because they are payable on demand, and are accepted among business men as the equivalent of cash.

28. What is the effect of the words "to the order of"?

They denote that the person who receives the check may, if he wishes, by means of an indorsement, order the check to be paid to some other person.

29. What is an "Indorsement in Blank," or "Blank Indorsement"?

The act of the payee in writing *his name only* across the back of a check or other business paper.

30. What is the effect of a blank indorsement?

It makes the check payable to whoever holds it; it also makes the indorser responsible for such payment.

31. When you deposit checks, why should you indorse them?

In order to transfer the title, and that the banker may know the person from whom the checks were received.

32. If the debit footing of the Pass Book is greater than the credit footing, what does the difference, or balance, show?

The balance on deposit.

33. If the credit footing of the Pass Book is greater than the debit footing, what does the difference show?

The amount overdrawn.

THE CASH AND BANK ACCOUNTS

34. What does the term "Cash" include?

Money on hand, or in bank, or any demand or sight paper immediately convertible into cash, as checks, bank drafts, express or post-office money-orders, etc.

35. What is the purpose of the Cash account?

To keep a record of all cash received and all cash paid out.

36. What is shown by the respective sides of the Cash account?

The debit side shows all cash received, and the credit side all cash paid out.

37. Which side of the Cash account should be the greater, and why?

The debit side, as we cannot pay out more cash than we receive.

38. What does the balance of the Cash account show?

The amount of cash on hand.

39. What is a Banking Ledger?

It is a book in which a depositor keeps his account with the bank.

40. What should the debit side of this book show?

The sums deposited.

41. What should the credit side of this book show?

The amount of each check drawn.

42. If the debit side of this book is the greater, what does the balance show?

The sum to the depositor's credit at the bank.

43. When will the balance of the Banking Ledger agree with the balance of the Pass Book?

When all checks that we have drawn on the bank have been paid at the time the Pass Book was written up.

44. When would the balance disagree?

When the Pass Book is balanced before all the checks have been paid.

45. When would the balance of the Banking Ledger agree with that of the Cash account?

When all cash has been deposited.

46. When will the respective balances of the Pass Book, Banking Ledger, and Cash account all agree?

When all cash has been deposited and all checks nave been paid at the time the books are balanced.

THE MERCHANDISE ACCOUNT.

47. What does the term "Merchandise" imply?

All goods in which we deal for purposes of profit

48. What does the debit side of the Merchandise account show?

The various sums that merchandise has cost us.

49. What does the credit side of the Merchandise account show?

The various sums for which we have sold merchandise.

50. Under what circumstances will the Merchandise account show a gain?

When the credit side is greater than the debit side.

51. Under what circumstances will the Merchandise account show a loss?

When all goods have been sold and the debit side is greater than the credit side.

PERSONAL ACCOUNTS

52. What is a personal account?

An account with a person or firm.

53. What is meant by selling goods on account?

Selling them *on credit*, that is, without receiving payment for them at the time of making the sale.

54. What does the debit side of a personal account show.

The debits, or charges, we have made for what the person has received from us.

55. What does the credit side show?

The credits we have allowed the person for what we have received from him.

56. If the debit side of a personal account is the greater, what does the balance show?

The amount the person owes us on account.

57. If the credit side is the greater, what does the balance show?

The amount we owe the person on account.

JOURNALIZING

58. What is a journal entry?

A formal record in the Journal of a business transaction, together with a list of the Ledger accounts affected by the transaction, and the debit or credit amounts that are to be posted.

59. In determining the proper journal entry required for any transaction, what two questions must be decided?

(1) "*What accounts are affected?*"
(2) "*How are they affected?*"

60. If merchandise is sold for a check, what accounts are affected?

The Merchandise account and the Cash account.

61. How are these accounts affected?

The Cash account is debited and the Merchandise account is credited.

62. What is the proper order in arranging the debits and credits of a journal entry?

The debits should be given first, and then the credits.

63. Gave my clerk a check for $25 for his week's salary, what accounts are affected, and how?

Expense is debited and Cash is credited.

64. Bought a bill of goods of Cook & Co., on account. What accounts are affected, and how?

Merchandise is debited and Cook & Co. credited.

65. How can you give a brief answer to the preceding question?

By giving the form of the journal entry thus: "Mdse. to Cook & Co."

EXERCISE IN JOURNALIZING

1. Sold R. Wilson mdse. on account. What entry? Why?

R. Wilson to Mdse.; because Wilson nas increased his indebtedness to us, and we have parted with mdse.

2. Bought mdse of P. Johnson on account. What entry? Why?

Mdse. to P. Johnson; because mdse. has been received, and our indebtedness to Johnson has been increased.

3. Sold mdse to R. W. Dalton, receiving in payment his check for $25. What entry is required, and why?

Cash to Mdse.; because a check is equivalent to cash, and we have parted with mdse.

4. Bought 10 brls. of salt of C. W. Johnson, giving in payment my note at thirty days. What entry?

Mdse to Bills Payable.

5. Bought of Martin & Co. 50 brls. of flour. Gave my check in payment. What entry?

Mdse. to Cash.

6. Paid N. Davis cash on account. What entry? Why?

N. Davis to Cash; because our indebtedness to Davis has been lessened, and we have parted with cash.

7. C. Miller pays us cash on account. What entry? Why?

Cash to C. Miller; because we have received cash, and Miller's indebtedness to us has been lessened.

8. Gave Charles Hill a check for $50 in settlement of our account in full. What entry?

Charles Hill to Cash?

9. Received of Henry Shaw a check for $100 in settlement of his account to date. What entry?

Cash to Henry Shaw.

10. Sold R. S Jones 20 brls. of apples, receiving his check in payment. What entry?

Cash to Mdse.

11. R. T. Cook bought of us 50 brls. of salt on account, at thirty days. What entry?

R. T. Cook to Mdse.

12. Borrowed cash of L. T. Mason on our note at sixty days. What entry?

Cash to Bills Payable.

13. Sold C. W. Lyman 500 brls. of lard, receiving in payment Mr. Lyman's check on the First National Bank. What entry?

Cash to Mdse.

14. J. Knapp sold goods to R. Day on account. Required Knapp's entry.

R. Day to Mdse.

15. Required Day's entry.

Mdse to J. Knapp.

16. H. Stevens paid W. Jones cash on account. Required Stevens' entry.

W. Jones to Cash.

17. Required Jones' entry.

Cash to H. Stevens.

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345. The first 81 transactions are with the offices and for the purpose of expediting the work and advancing you rapidly, you have been instructed in several instances to give or take a note at the time of purchase or sale. But from now on you will not give or take a note until maturity of the account. Your Daily Reminder is to aid you to keep track of when accounts mature. Or you may make memorandum on the student's Ledger account.

Your school will set a certain number of days, as for instance, 4 days, to represent a school month, 1 day to represent a school week, etc.; and you will then figure on this basis to find the maturity of your papers. For different kinds of notes, see pages 217–219.

DRAFTS

346. A draft is a written order on a bank, firm, or individual, directing the payment of money to some person or firm named in the draft.

Parties to a Draft.—There are three parties to a draft:

1. The *Drawer*, or person who signs the draft.
2. The *Drawee*, or person to whom the draft is addressed, and who is expected to pay the sum named.
3. The *Payee*, or person to whom the money is directed to be paid.

Theory of a Draft.—In general, when a draft is drawn, it is presumed that the drawee is indebted to the drawer, also that the drawer is indebted to the payee. But circumstances often arise when drafts are drawn without the existence of such indebtedness.

How To Write a Draft.—Make out all drafts according to the following general forms. Write the name of the payee in that part of the form where the name "E. O. Folsom" appears, place the name of the drawee in place of the name "A. B. Cummings," and your own name instead of "H. B. Burton."

Fill out the stub before detaching the draft, as in the case of checks.

347. Sight Draft.—A sight draft is one that is payable on presentation, except in certain States, where days of grace are allowed.

Some authorities say to treat sight drafts as Bills Receivable, but we prefer that they be treated as Cash. You will ask your teacher for instructions regarding this, as custom varies according to locality.

No. 1
Date Oct. 1, 1904
Time At sight
Favor of E. O. Folsom
Drawn on A. B. Cummins
For Inv. 27.
$309.17

No. 1 Cincinnati, O. Oct. 1, 1904.
At sight PAY TO THE
ORDER OF E. O. Folsom $309.17
Three Hundred Nine and 17/100 DOLLARS
Value received and charge the same to account of
To A. B. Cummins, Des Moines, Ia. H. B. Burton.

348. Time Draft.—**(Time reckoned from sight.)** A draft may be drawn payable a certain number of days or months "after sight," as in the following form. This draft would not be payable until ten days after acceptance (or thirteen days, in States allowing days of grace).

No. 2
Date Oct. 4, 1904
Time At 10 das. St.
Favor of E. O. Folsom
Drawn on A. B. Cummins
For Inv. 28.
$150.00

No. 2 Cincinnati, O. Oct. 4, 1904.
At ten days sight PAY TO THE
ORDER OF E. O. Folsom $150.00
One Hundred Fifty DOLLARS
Value received and charge the same to account of
To A. B. Cummins, Des Moines, Ia. H. B. Burton.

349. Time Draft.—(Time reckoned from date.) The following form illustrates a draft payable a certain time after date. This draft matures at a definite time, November 5 (or November 8, if days of grace are allowed).

No. 3
Date Oct. 6, 1904
Time 30 days after date
Favor of E. O. Folsom
Drawn on A. B. Cummins
For On acct
$410 00

No. 3 Cincinnati, O., Oct. 6, 1904.
Thirty days after date PAY TO THE ORDER OF E. O. Folsom $410 00
Four Hundred Ten DOLLARS
Value received and charge the same to account of
To A. B. Cummins, Des Moines, Ia. H. B. Burton.

350. Bank Draft.—A Bank Draft is an ordinary draft, drawn by one bank on another, and is used to remit money from one portion of the country to another, without actually transferring the currency. Drafts drawn on New York are called "New York drafts," and drafts drawn on Chicago are called "Chicago drafts." New York Drafts are at par anywhere in the United States, and are usually preferred for making remittances.

A bank draft should always be made payable to the order of the person making the remittance, who transfers it by indorsement.

No. 4
Date Sept. 25, 18
On First National Bank, New York.
Favor of A. P. Harper
Sold to A. P. Harper
Rate 1/4 Amt. $485 16

No. 4 Cincinnati, O., Sept. 25, 19
COMMERCIAL BANK
Pay to the order of A. P. Harper $485 16/100
Four Hundred Eighty-five 16/100 Dollars.
To First National Bank, New York
H. B. Burton.

ACCEPTANCES

351. "Accepting a draft" consists in the drawee's writing across the face the word "Accepted," with the date and his signature following. This is usually done in red ink.

352. A draft thus accepted is called an ***Acceptance***. The acceptance of a draft by the drawee is equivalent to his written promise to pay it. Hence, an acceptance is equivalent to the drawee's promissory note.

No. 5
Date Oct. 1, 1904
Time 5 days Sight
Favor of E. O. Folsom
Drawn on A. B. Cummins
For On acct
$270 80

No. 5 Milwaukee, Wis., Oct. 1, 1904.
At five days sight PAY TO THE ORDER OF E. O. Folsom $270 80
Two Hundred Seventy and 80/100 DOLLARS
Value received and charge the same to account of
Accepted Oct. 3, 1904. A. B. Cummins
To A. B. Cummins, Des Moines, Ia. H. B. Burton.

353. Drafts Drawn "After Sight."—Drafts drawn payable a certain time "after sight" must be presented by the payee to the drawee for acceptance, as the time is reckoned from the date of acceptance, and not from the date of the draft.

354. Drafts Drawn "After Date."—A draft that is payable a certain number of days or months *after date*, will become due without being accepted; but it is advisable to have such a draft accepted, as this, at once, makes the drawee responsible for its payment when due.

355. Dishonoring a Draft.—Banks in the various cities of the United States collect thousands of drafts every day. Some business men do not remit for the goods which they have purchased, but prefer to wait until a draft is drawn upon them for the amount due. It often happens that some people are more likely to pay drafts drawn upon them for amounts which are due than they are to send a remittance if a statement of account is sent them, hence the draft plays an important part in collecting. A person is not obliged to accept a draft when presented, but if the account is due and he refuses a draft for the amount, he is quite liable to injure his credit. It often becomes necessary for business men to borrow money at banks, and if they habitually refuse to honor drafts, the bank would soon refuse to give them credit. When a person refuses to pay or accept a draft that is drawn upon him, the draft is said to be "dishonored."

356. It often occurs that business men draw drafts upon their customers and then discount these drafts at their bank, obtaining credit for them just as they would for notes. Sometimes it happens that such drafts are dishonored when presented to the drawee, but the drawer is by law responsible for the payment of any draft which he has discounted at his bank or passed to someone else for any reason, and must make good the amount of any dishonored draft. It frequently happens that a person holding a bill, note, or draft on someone else who lives in some other town, finds it necessary to send such paper for collection to someone who is little known or to some bank other than the one with which he is in the habit of doing business. In such cases he should indorse the draft payable to whoever he desires to collect it for him, and should add after the indorsement, "for collection." The effect of this is that the draft or other paper cannot be transferred to anyone else, because anyone to whom it may be offered can see that it was the business of the person presenting it to him to collect it on the indorser's account. Some banks, however, refuse to handle drafts indorsed "for collection," and it is not necessary to so indorse drafts when you are doing business with people whom you know to be responsible. You should never draw a draft on a person without first advising him of the fact. It is better always to write the drawee of the draft a letter, stating the date of your draft, to whom it is payable, and the amount. This, of course, is not necessary, but is ordinary business courtesy and should be adopted in all cases.

STATEMENT OF ACCOUNT

357. A statement of a personal account is an exhibit of the debits and credits of the account, as shown by the Ledger. In a retail business, as a rule, such statements are made out periodically, usually at, or near the first day of the month, and are presented or sent for collection to all customers who owe the firm on account.

358. In the wholesale trade, a statement of account is usually rendered at the expiration of the term of credit that has been allowed on any sale. In this case the statement is sent as a reminder that payment for the specified sale is due, and should be paid. A general statement showing the entire account is not made out, except by special request. While a wholesaler's statement of account will not show debit items that are not yet due, it must nevertheless show all credits or payments that have been made since the issue of the previous statement.

Checking a Statement.—(1) If you receive a statement of account with John Doe, the debits on his statement should agree with the credits of his account on your Ledger because he receives and would debit what you part with, and the credits on his statement should agree with the debits of his account on your Ledger because he gives out and credits what you receive.

(2) If the credit side of your Ledger does not agree with the debits on his statement, either in dates or amounts or items, refer to the book of original entry or voucher (original paper), and get the correct date, amount, and item (name of article), and make note on his statement of these facts in order that you may write him and have correction made. If the credit side of his statement agrees with the debit side of your Ledger, check each item thus: "✓."

(3) If you find dates, amounts, or items on his statement that do not appear on your Ledger, examine your books of original entry and your vouchers. Vouchers may be found among your papers that were not entered on your books. If no invoice corresponding with the dates, amounts, or items on his statements, write, in red ink, on his statement, "No invoice, etc."

(4) If the amounts and items agree, but the date differs, go to your books of original entry and determine the correct date. The date may have been changed in posting. If date, amount, or item should differ, make note of the difference on the statement.

(5) If all the debits of his statement agree with the credits on your Ledger, then check the credits of his statement with the debits on your Ledger.

(6) If discrepancies occur, make note of them on the statement below his last amount or balance, and deduct the amount of the discrepancies from the amount of his statement, or add them as the case may require.

(7) If his statement is found to agree with your Ledger in every particular, write "O. K." on the statement and sign your name or initials.

(8) Present the "O. K'd" statement to your proprietor and ascertain when payment is to be made.

359. When a statement is paid, it should be receipted as in No. 7. If the statement has been sent by mail, and the debtor remits payment *in full*, he should return the statement with the remittance for the creditor's receipt. Upon receiving the statement and remittance, the creditor should at once receipt the statement and return it.

360. When bills have been given for each sale on account, it is not customary to itemize the statement. But if bills have not been rendered for the sales, the statement should be itemized as in No. 7.

361. The making out of statements in correct form is an important matter, and one with which the student should become thoroughly familiar.

362. The following forms illustrate the proper manner of making out statements under the conditions set forth over each form:

No. 1.—When an account has one debit and no credits, make out a statement as follows:

Cincinnati, O., Dec. 2, 1917

M E. L. Richmond,

In Account with **H. B. BURTON,**

874 MARKET STREET.

Interest at 6 per cent., if not paid when due. We pay no exchange or express charges on remittances.

Apr.	2	As per Bill Rendered			347	50

No. 2.—When an account has a number of debits and no credits, make out a statement as follows:

Apr.	2	As per Bill Rendered	321	45		
	3	"	176	80		
	4	"	246	20	744	45

No. 3.—When an account has one debit and one credit, make out a statement as follows:

Apr.	2	As per Bill Rendered	460	75		
	10	*Cr. by Cash*	280		180	75

No. 4.—When an account has a number of debits and one credit, make out a statement as follows:

Cincinnati, O., Dec. 2, 1917

M E. L. Richmond,

In Account with **H. B. BURTON,**

874 MARKET STREET.

Interest at 6 per cent., if not paid when due. We pay no exchange or express charges on remittances.

Apr.	2	As per Bill Rendered	240	40		
	3	"	156	80		
	7	"	25	60	422	80
		Cr.				
	10	*By Cash*			350	
		Bal. due			72	80

No. 5.—When an account has one debit and a number of credits, make out a statement as follows:

Apr.	2	As per Bill Rendered			783	45
		Cr.				
	4	*By Cash*	150			
	6	" "	25			
	8	" *Note*	240	50		
	9	" *Draft*	135		550	50
		Bal. due			232	95

No. 6.—When an account has a number of debits and a number of credits, make out a statement as follows:

Apr.	2	As per Bill Rendered	292	40		
	4	"	145	46		
	7	"	25	60	463	46
		Cr.				
	9	*By Cash*	104	50		
	10	" "	35	60		
	12	" *Draft*	60	80	200	90
		Bal. due			252	56

No. 7.—When bills are not given with sales on account, make out an itemized statement as follows:

(This statement has been paid and receipted.)

Cincinnati, O., Dec. 2, 1917

M E. L. Richmond,

In Account with **H. B. BURTON,**

874 MARKET STREET.

Interest at 6 per cent., if not paid when due. We pay no exchange or express charges on remittances.

		As per Bill Rendered				
Apr.	10	1 gr. Pens	1	15		
	13	1 Journal		75		
		1 Ledger	1	25		
		1 Ruler		25		
		1 doz. Pencils		30		
	19	1 Inkstand	1	75		
		Letter Press	10	50		
		" Book	1	25		
	20	1 Bot. Ink		10		
		1 Eraser		25		
		1 Letter File	1	50		
	24	1 M. Envelopes	1	35	20	40
		Paid,				
		H. B. Burton.				

No. 8.—When bills are not given with sales on account, and a payment has been made, make out an itemized statement as follows:

Cincinnati, O., Dec. 2, 1917

M E. L. Richmond,

In Account with **H. B. BURTON,**

874 MARKET STREET.

Interest at 6 per cent., if not paid when due. We pay no exchange or express charges on remittances.

		As per Bill Rendered				
Apr.	10	1 gr. Pens	1	15		
	13	1 Journal		75		
		1 Ledger	1	25		
		1 Ruler		25		
		1 doz. Pencils		30		
	19	1 Inkstand	1	75		
		Letter Press	10	50		
		" Book	1	25		
	20	1 Bot. Ink		10		
		1 Eraser		25		
		1 Letter File	1	50		
	24	1 M. Envelopes	1	35	20	40
	20	Cr. by Cash			10	
		Bal. due			10	40

GENERAL REVIEW

SPECIAL REVIEW QUESTIONS

1. How should an incorrect entry be corrected?
2. When the place of payment is not specified in a note, where is the note payable?
3. What reason for being prompt in making deposits at the bank?
4. What is said of the importance of good figures?

5. What is the general rule for journalizing?
6. If a note or other obligation falls due on a holiday, when may it be collected?
7. What course should be pursued in the case of part payment of a note?

8. State the various uses of the Daily Reminder.
9. What is the general purpose of the Sales Book?
10. What classes of sales are recorded in the Sales Book?
11. Explain how the keeping of a Sales Book lessens the labor of a bookkeeper.
12. To what side of the Ledger accounts are the various amounts of the Sales Book posted?

13. What is a draft?
14. Name the parties to a draft.
15. State the theory of a draft.
16. What is a sight draft?
17. Under what circumstances is a sight draft to be considered as a bill receivable?

18. What is a statement of account?
19. At what time are statements usually made out in a retail business?
20. At what time is a statement usually made out in a wholesale business?
21. What is the general purpose of a statement?
22. What general difference between a wholesaler's and a retailer's statement?
23. What is the usual procedure on the part of both debtor and creditor when a statement is sent by mail for collection, and paid in full?
24. Under what circumstances is it unnecessary to itemize a statement?
25. When should a statement be itemized?

26. In closing the books, if there is an inventory of merchandise, where should it be entered in the Ledger?
27. Why must the merchandise inventory be added to the sales?

QUESTIONS AND ANSWERS

BILLS PAYABLE AND BILLS RECEIVABLE

1. In writing a note, what specifications should be set forth?

The face of the note, time, date, name of the payee, rate of interest, if any, and the maker's signature.

2. What is the purpose of the Bill Book?

To afford a record of all written promissory obligations, whether received or issued.

3. What ledger account is kept with the proprietor's own written obligations?

The Bills Payable account.

4. What does the credit side of this account show?

The face of all notes, acceptances, or other written obligations issued by the proprietor.

5. What does the debit side show?

The payments that have been made on the bills payable.

6. What does the debit side of the Bills Receivable account show?

The face of each bill receivable that we have received.

7. What does the credit side show?

That which we have received for Bills Receivable.

8. *When do you debit Bills Payable?*

When we pay any of our bills payable, either wholly or in part.

9. When do we credit Bills Payable?

When we issue our own written obligations.

10. When do we debit Bills Receivable?

When we receive a bill receivable.

11. When do we credit Bills Receivable?

When we receive payment, either wholly or in part, for a bill receivable.

12. What is shown by the balance of the Bills Payable account?

The amount we owe on bills payable.

13. What does the balance of the Bills Receivable account show?

The amount that is owed to us on bills receivable.

DRAFTS AND ACCEPTANCES.

14. What is the general purpose of drafts?

To facilitate collections and remittances.

15. Illustrate this.

If A who is in St. Louis owes B who is in Chicago; B may draw a draft on A for the amount of the debt, place it with his banker for collection, who forwards it to a bank, or other collection agency in St. Louis. If paid by A the amount, less charges for collection, is then remitted to B through the bank to which the draft was originally given. If A wishes to remit to B, he may buy a draft on Chicago of his local banker, and remit the same to B by mail.

16. What is the advantage of time drafts to the drawee?

To enable the drawee, especially in the case of a large sum, to have a certain time in which to arrange for the payment.

17. What act is necessary in order that the drawee may become responsible for the payment of a draft?

The act of accepting it.

18. When we draw a draft, and deliver it to another person, what account should be credited?

The drawee's account.

19. When is a sight draft payable?

Upon presentation, except where days of grace are allowed.

20. What drafts are considered as cash by the person receiving them?

Sight drafts where no days of grace are allowed.

21. By whom and when is a draft considered a bill payable?

By the drawee when he accepts it.

22. By whom and when are drafts considered as bills receivable?

To the payee, and when they are not payable immediately on presentation.

INDORSEMENTS AND NEGOTIABILITY

23. When is a note or draft said to be negotiable?

When the payee is authorized by the terms of the instrument to transfer it by indorsement.

24. What phrase in the wording of a note or draft gives the payee this right?

The words "or order," "or bearer," or "to the order of."

25. What is the effect of drawing an instrument payable to bearer?

It makes the instrument negotiable and transferable without indorsement.

26. Name two important effects of an indorsement.

It authorizes the payment of the obligation to a person other than the indorser. The indorser also becomes responsible for the payment of the paper, should payment be refused by the maker when due.

27. What advantage is secured to the payee by making papers payable "to order" instead of "to bearer"?

It protects the paper from collection in the event of its loss or theft, as a paper payable "to order" is not payable until indorsed by the payee; while one payable "to bearer" may be paid to any one who presents it. (For a fuller discussion of indorsements with examples of the different forms, see Part II of this book.)

MATURITY OF PAPERS

28. What is meant by the maturity of a commercial paper?

The day on which it falls due.

29. If a note falls due (without days of grace) on Saturday, July 4, when should it be presented for collection?

On Monday, July 6.

30. If days of grace are allowed, when would this note be due?

On Tuesday, July 7, as the legal holidays are included in computing the time.

31. If the maker of an indorsed note fails to pay the same upon presentation at maturity, what course should the holder pursue?

The holder should, within twenty-four hours, notify the indorsers that the paper has been dishonored.

32. Why is the notice necessary?

In order to hold the indorsers responsible for the payment of the paper.

EXERCISE IN JOURNALIZING

BILLS PAYABLE AND BILLS RECEIVABLE.

1. Bought a car-load of flour, giving in payment my note at sixty days. What accounts are affected?

Mdse. and Bills Payable.

2. How are these accounts affected?

Mdse. is debited and Bills Payable credited.

3. Gave my note at thirty days, in payment of one month's rent in advance. What accounts are affected, and how?

Expense is debited and Bills Payable is credited.

4. Bought twenty brls. of salt, giving in payment C. W. Cook's note in favor of R. Miller and indorsed to me. What entry?

Mdse. to Bills Receivable.

Give the required entry for each of the following transactions.

5. Gave five brls. of salt to Carter & Co., in payment of my note at thirty days.

Bills Payable to Mdse.

6. James Steele settled his account by note at sixty days.

Bills Receivable to James Steele.

7. Gave a check for $75, in payment of my note in favor of C. W. Miller.

Bills Payable to Cash.

8. Sold Henry Jones three brls. of flour on his note at thirty days.

Bills Receivable to Mdse.

9. Received of S. Johnson his check in payment of his note.

Cash to Bills Receivable.

10. Sold to R. S. Gray three brls. of pork, receiving in payment G. W. Thompson's note, in favor of Harvey Brown.

Bills Receivable to Mdse.

11. Transferred J. W. Smith's note in my favor to R. L. Hall on account.

R. L. Hall to Bills Receivable.

12. Gave my note to Cook & Sons, in settlement of account.

Cook & Sons to Bills Payable.

13. Sold C. S. Davis three brls. of salt, the amount of the same to be indorsed on my note in his favor.

Bills Payable to Mdse.

LEAD PENCIL WORK

363. It is a true saying that "you can always tell a poor bookkeeper by the amount of lead pencil work that he does." Never use a lead pencil for writing receipts, receipting bills, statements, or for any other kind of work when it can possibly be avoided. While the law says that a signature written with a lead pencil is legal, there is no demand or appreciation for a lead pencil bookkeeper.

LEDGER HEADINGS

364. Each Ledger Heading of a Personal Account should contain the customer's full name and street number, or if he lives in some other city, the name of the city should be added. When new customers are secured, their names and addresses are entered in the Order Book, if such a book is kept, otherwise with the charge in the Sales Book, or Journal, as the case may be, and the full information is transferred from the original entry to the Ledger at the time of posting. In many business houses it is the custom to enter the complete address with each charge, and this should always be done where it happens that there is more than one customer of the same name.

CONSOLIDATED ICE CO. 126 East State Street

19						19					
Oct.	1	J	10	1 2 5		Oct.	1	P	2	1 0 0	
"	2	S	2	3 0 0		"	1	C	4	1 0	
"	2	C	3	1 2 0		"	1	J	16	1 4 0	
						"	3	Inv.	42	3 0 0	

IMPORTANT POINTS ON POSTING

365. When you post from more than one book of original entry you should enter in or near the folio column in the Ledger a letter to indicate the book from which you posted; thus in the Ledger form given above, the first entry on the debit side shows that the amount was posted from Journal page 10, the second entry on the debit side shows that the amount was posted from Sales Book page 2, the third entry on the debit side shows that the amount was posted from Cash Book page 3. The first entry on the credit side shows that the amount was posted from Purchase Book page 2, the second entry on the credit side shows that the amount was posted from Cash Book page 4. In writing the abbreviations for the books you will note that just one letter is used, C. for Cash Book; J. for Journal; S. for Sales Book; and P. for Purchase Book.

366. Sometimes it is customary to post the Mdse. credits direct from the Invoice File to the credit side of the Ledger Account, and the fourth entry on the credit side of the Ledger Account referred to above indicates that the item was so posted, and that to find the original entry we would refer to Invoice No. 42.

367. Duplicate Bills.—The shortest methods of making duplicates of bills which you render are the copying-press and the carbon-copy plans. If you use the copying-press method all bills you make out should be made with copying-ink, after which they are copied in the copying-book and then delivered to the customer. When the carbon-copy plan is used the copy is made out at the same time the bill is made, the form for the bill being especially prepared for this purpose. The original copy is then delivered to the customer, and the duplicate is filed by some convenient method, the principal one of which is to have what is called a loose-leaf binder in which all duplicate bills are placed at the close of the day's business. When

either of these plans is used the footings may be carried forward each day until the end of the week or month, the same as in a regular Sales Book, at which time the total amount of the merchandise sales is posted to the credit side of the Ledger Account.

368. Corrections and Duplicate Bills. It sometimes happens in the business office that an error is made in rendering a bill for merchandise sold and the buyer returns the bill for correction. In this case the bill should be made out correctly and the words "Corrected Bill" written across the face. Sometimes it is customary to write "Corrected Invoice," as the terms bill and invoice are used interchangeably. It sometimes happens that the purchaser looses the bill after receiving it, or because of some carelessness in mailing, it may never reach him. In this case you would make out a new bill and write across its face "Duplicate Bill," to show that it is a copy of some bill previously rendered.

369. Personal Accounts are those accounts which we have with the people or business firms with whom we do business, and are considered to be the most important accounts connected with any business. It is absolutely necessary to know just how much we are owing other people, and just how much other people are owing us. If it were not for this particular fact, many firms would not consider it necessary to keep books at all. However, it would be advisable for any business house to keep an account of all transactions even though they did an absolutely cash business. Credit is absolutely necessary in doing modern business, and in order to keep books successfully by double entry it becomes necessary for us to keep a record of accounts other than our personal accounts. These accounts, such as Merchandise, Cash, Expense, Interest and Discount, Bills Pay., Bills Rec., Furniture and Fixtures Chattels etc., are called Non-Personal Accounts.

DISCOUNTING NOTES AT THE BANK

370. The term "face" is a very common expression in business, meaning the words of a commercial paper, but especially the sum expressed in writing and figures exclusive of any interest or discount.

371. It frequently becomes necessary for business men to raise money quickly, and often times to do this they take unmatured notes or other commercial paper to the bank and have them discounted. If these papers do not draw sufficient interest to justify the banker in paying the *face value* of them, he will deduct a certain amount and pay the balance in cash, or if desired, he will place the sum which he allows you to your credit. The amount of money you thus obtain by discounting your note is called the Net Proceeds.

372. The rate, or amount of discount that the banker charges, depends upon the security of the paper, the amount involved and the time yet remaining before payment. For example, if you have a $500 note, without interest, due in 60 days, and the banker charges 6% discount, the banker would deduct $5 for discount and hand you $495 in cash, or place it to your credit as you desired. For such a transaction you would make an entry as shown in paragraph 138.

PREPAYING YOUR OWN NOTES

373. Sometimes a holder of a note will advise the maker that he will allow a special discount for payment before it is due, and if the discount allowed you is sufficient to make it an object for you to do so, you should always take advantage of such opportunities. In making an entry for such a transaction you would debit Bills Pay. for the face of the note, and credit cash for the amount actually paid out, and credit Int. & Dis. for the amount of the discount that you are allowed. See page 88.

NOTES PAYABLE AT THE BANK

374. It is not necessary to issue a check for the payment of a note or draft that is made payable at the bank where you have money on deposit, providing you have notified the banker to pay the note when presented, as the holder of such paper can then get his money by simply presenting the note to the banker, who will charge it to your account and return it to you with your checks. It is not advisable for a banker to do this, however, or for you to ask him to, as it is liable to cause much confusion.

375. When your Pass Book is balanced, or when you are notified by the banker of such payment of a note, you should make an entry in your Banking Ledger exactly the same as though you had given a check. You would also make the required entry in your other books. See page 88.

376. Trade Discount or Commercial Discount as it is sometimes called, is an allowance or deduction made by merchants and manufacturers from the catalog or list price. Large wholesalers or jobbers distribute among their customers lists of the merchandise which they have for sale. Such a list sometimes assumes the proportions of a catalog. As prices vary from time to time customers are supplied with

"discount sheets" so as to enable them to determine the exact price asked for the desired article. When any of these listed goods are billed they are always billed at the catalog or list price, and the Commercial or Trade Discounts are deducted to obtain the Net Price. For example, if a Trade Discount of 10 % was allowed on a bill of $250, the net amount paid would be $225. When the rate of discount differed on the various items in the bill, it is expressed in connection with the item as in the following form.

377. In the first item the fraction ⅓ means a discount of 33⅓ %. In the second item the fraction ¼ means a discount of 25%. In the third item 20 means 20%, and the word "net" in connection with the fourth item means that no discount is allowed on that item. Rates of discount, however, are usually expressed in figures, and the second form is the one in more common use, and the one which you will follow in your school work.

Cincinnati, Ohio, Nov. 20, 190 9

M H. B. Burton

BOUGHT OF W. E. Devine,

GENERAL JOBBER

TERMS Net Cash

NO. ALL CLAIMS FOR SHORTAGE OR DAMAGE MUST BE MADE ON RECEIPT OF GOODS

	20	brls. Cornmeal 1-3	3.60	48			
	10	" Oatmeal 1-4	9.40	70	50		
	15	" W, F. Flour 20	5.50	66			
	25	" Super " Net	4.00	100		284	50

378. The following bill is the same in form as the preceding one, except that the discount-rate on each item is entered after the price of the article instead of before it. Both forms are in common use.

Cincinnati, Ohio, Jan. 20, 190 9

M H. B. Burton

BOUGHT OF C. Eldridge

LUMBER DEALER

TERMS On account

NO. ALL CLAIMS FOR SHORTAGE OR DAMAGE MUST BE MADE ON RECEIPT OF GOODS

	30	M. Star Shingles	1.80	less 10	48	60		
	10	M. 6 " Clear "	1.20	" 5	11	40		
	5	M. Lath	1.60	" 15	6	80		
	5	M. Cedar Posts	.06		300		366	80

379. Sometimes two or more discounts are given in succession. To illustrate;—a man buys a bill of goods subject to a discount of 10 and 5%. This does not mean that he will get a discount of 15% from the face of the bill, but that a 10% discount is deducted from the face of the bill and then 5% is deducted from the remaining amount. Thus, if you bought a bill for $200 subject to a discount of 10 and 5 % you would first deduct the 10%, $20, which would net $180. From $180 deduct 5%, $9, which would leave the net amount of the bill to be paid, $171. Sometimes these discounts are expressed in a series of three, as 20, 10 and 5%, or even 20, 10, 5 & 2%, although it is seldom that the series is composed of more than three discounts.

380. For illustration, the following bill is sold, less a series of discounts of 20%, 10%, and 5%. Two or more separate discounts are not equal to their sum, as they are computed upon a different base, thus 20%, 10%, and 5%, are not the same as 35%, but are equal to $31\frac{6}{10}\%$. Taking these discounts separately, the first discount, at the rate of 20% on $200, is $40; deducting this from the $200, leaves a net amount of $160; the second discount, at the rate of 10% on $160, is $16; deducting this amount from $160, leaves a net amount of $144; the third discount, at the rate of 5% on $144, is $7.20; deducting this amount from the $144, leaves a net amount of $136.80 to be paid; or, $200, less a straight discount of $31\frac{6}{10}\%$, which also leaves $136.80.

Cincinnati, Ohio, Nov. 20, 190 9

M H. B. Burton

BOUGHT OF L. D. Stafford

GENERAL JOBBER

TERMS On acc't., less 20, 10, and 5%

NO.

ALL CLAIMS FOR SHORTAGE OR DAMAGE MUST BE MADE ON RECEIPT OF GOODS

	10	brls. Oatmeal	9.00	90			
	10	" Cornmeal	3.00	30			
	20	" Super Flour	4.00	80			
				200			
		Less 20, 10, and 5%		63	20	136	80

381. Time Discount. Time Discount is a discount which varies with the time of payment. For illustration, the following bill of merchandise for $200 is sold on 90 days credit, subject to immediate payment or at any time before the 90 days have elapsed at the option of the buyer. If this bill was paid immediately at the time of the purchase, a discount of 20 % would be allowed, making the net amount to be paid $160. If paid any time before the expiration of 30 days, otherwise than cash on delivery, a discount of 10% would be allowed, making the net amount to be paid $180. If paid any time between 30 and 60 days a discount of 5% would be allowed, making the net amount to be paid $190, but if paid any time after the 60 days no discount would be allowed and the full amount of the bill is due and payable at the expiration of the 90 days from date of same.

382. Sometimes a cash payment is made upon a bill subject to a discount, but the entire bill is not paid. When this is done the buyer should be credited with an amount equal to that which the cash would buy, subject to the conditions and discounts as written on the bill. The amount for which the buyer should obtain credit is found by dividing the payment by 100% less the discount rate to which he is entitled. Suppose, for illustration, that in the following bill a payment of $150 is made at the time of the purchase. For a payment at the time of purchase the buyer is entitled to a discount of 20%. Then 100% minus 20% equals 80%. $150.00 divided by 80 equals $187.50, which is the amount for which the buyer is entitled to credit.

Cincinnati, Ohio, Nov. 20, 1909

M H. B. Burton

BOUGHT OF L. D. Stafford

GENERAL JOBBER

TERMS Cash, 20%; 30 days, 10%; 60 days, 5%; 90 days, Net.

NO. ALL CLAIMS FOR SHORTAGE OR DAMAGE MUST BE MADE ON RECEIPT OF GOODS

	10	brls. Oatmeal	9.00	90			
	10	" Cornmeal	3.00	30			
	20	" Super Flour	4.00	80			
				200			
		Cr. by Cash, $150, dis. $37.50		187	50	12	50

383. Merchandise Discount. It often happens in purchasing bills of merchandise that such bills are bought subject to a special discount if paid within a certain time, as "Subject to 20% discount if paid within 15 days, 15% discount 30 days, otherwise net." When such a bill of merchandise is purchased, merchandise is debited and the seller is credited for the face of the bill without reference to the discount. See paragraph 131. Such a bill should be paid within the 15 days, even if the buyer is compelled to go to the bank and borrow money to do so, and when such a bill is paid the seller would be debited for the full amount of the bill, that is, the amount for which he was credited, Merchandise Discount would be credited for the amount deducted (the 20%), and Cash would be credited for the amount of money paid out. See paragraph 132.

384. Net Cash. This term means that a bill on which the words are written is not subject to any discount in addition to those already deducted from the face of the bill, nor for any rebate charge or collection, nor to any deduction of any kind. Among some wholesalers or jobbers, Net Cash implies a credit of from ten to thirty days if desired; but usually when a bill is marked Net Cash, prompt payment is expected. The terms of credit are generally clearly expressed on the face of a bill if other than immediate payment is allowed.

385. Legal Rate of Interest. In most states the law specifies an interest rate at which interest is to be paid should no rate be specified in the agreement. This rate is known as the Legal Rate of Interest, and varies in different states. When your Cabinet directions tell you to specify interest at the legal rate you should ascertain what that rate is in your state. It would be advisable at this time to read the chapter in your Commercial Law Book on Interest.

GENERAL REVIEW QUESTIONS

INVOICES

1. What fact should an invoice set forth?

The quantity and kind of goods sold, the price, total amount of each item, and the discount allowed, if any; also the buyer's address, the date, terms of the sale, and a receipt by the seller or any payment that may have been made.

2. What should be done when an invoice is received?

It should be compared with the goods, in order to see that these agree in kind and amount with those received, the items that are found correct being checked off on the invoice.

3. In making out invoices, what special care is required?

That the writing and figures are legible, that the goods are plainly described, and agree with the buyer's order, that the terms and discounts allowed are according to agreement, and that discounts, extensions, and totals are accurately and correctly computed.

EXPENSE ACCOUNT

4. What is the purpose of the Expense account?

To show the amounts expended for ordinary running expenses in conducting a business.

5. Which side of this account shows the outlays for expense?

The debit side.

6. What does the credit side show?

As a rule the credit side is blank, but if we were to sell any property that had been originally charged to Expense when purchased, the sale would be entered on the credit side of the Expense account. Thus, a quantity of coal might have been purchased for fuel and charged to the Expense account, and afterward it might be found advisable to sell a portion of it. In this case whatever is received for the coal should be debited, and the Expense account credited.

LOSS AND GAIN ACCOUNTS

7. What accounts are classified as "loss and gain accounts"?

Those accounts which show either a loss or a gain, as the Merchandise account, the Expense account, or the Interest and Discount account, etc.

8. Into what general account are the various loss and gain accounts closed?

Into the Loss and Gain account.

9. This account is finally closed into what account?

Into the proprietor's Stock account.

PROPRIETOR'S STOCK ACCOUNT

10. What is the purpose of the proprietor's Stock account?

To exhibit the proprietor's investments and withdrawals, and his net gains or losses during any period of the business.

11. What does the credit side of this account show?

The investment and the gains.

12. What does the debit side show?

The withdrawals and the losses.

13. If the credit side is the larger, what will the difference show?

The proprietor's present worth.

14. If the debit side is the larger, what does the balance of the account show?

The proprietor's insolvency.

15. When should this account be closed?

Whenever the books are closed.

BALANCES

16. What is meant by the balance of an account?

The difference between the respective sums of the debit and credit sides.

17. What is meant by the resources of a business?

All property belonging to the business and all debts owed to it.

18. What are liabilities?

All debts, of whatever character, owed by the proprietor of the business to other persons.

19. When does the balance of an account represent a resource?

When it represents property belonging to the business, or a debt that is owed to the proprietor.

20. If the debit side of an account is greater than the credit side, what does the balance of the account show?

Either a resource or a loss.

21. If the credit side of an account is greater than the debit side, what does the balance show?

Either a liability or a gain.

22. When does a personal account show a resource?

When the debit side is greater than the credit side.

23. When does a personal account show a liability?

When the credit side is greater than the debit side.

24. What is meant by the net capital of a firm?

The excess of the resources over the liabilities.

25. If the resources of a firm are $10,000 and the liabilities $4,000, what is the net capital?

$6,000.

26. What is meant by the insolvency of a firm?

The excess of the liabilities over the resources.

27. If the resources of a firm are $7,000 and the liabilities $11,000, what is the amount of the insolvency?

$4,000.

TRIAL BALANCE

28. What is the purpose of a trial balance?

To test the accuracy of the accountant's records in the Journal and the Ledger.

29. Is the correctness of the Trial Balance absolute proof that the Ledger amounts are correct?

It is not. It is merely one evidence to that effect.

30. What does the Trial Balance really prove?

If correct, it proves that the total sum of the debits in the Ledger is equal to the total sum of the credits.

31. What is necessary in order that the Ledger may be in balance?

The debits and credits of the original entries must have been equal, and all of these must have been posted correctly to the Ledger.

32. If, in posting, a credit item were omitted, what would be the effect upon the Trial Balance?

The credit side of the Trial Balance would be too small.

33. What would be the effect upon the Trial Balance of posting a debit amount twice?

The debit side of the Trial Balance would be too large.

34. If a debit item of $100 should be posted to the credit side of the Ledger, what would be the effect upon the Trial Balance?

There would be a difference of $200 between the debit and credit footings.

35. In case the two sides of the Trial Balance do not agree, what is the first step to take?

To ascertain the exact amount of the discrepancy, and then examine your books of original entry to see if there is an entry for that amount, which may have been omitted in the posting.

36. If nothing of this character is found, what is the next step?

To see if there is an amount equal to *one half* of the discrepancy in the Trial Balance, which may have been posted to the wrong side of the Ledger; thus, if the discrepancy in the Trial Balance is $560, it might be explained by the fact that an amount of $280 had been posted to the wrong side of the Ledger.

37. If such an amount is not found, what is the next step?

To examine the Ledger carefully, in order to see that there have been no errors in copying the footings of the Ledger into the Trial Balance.

38. If you still fail to find the error, what should be the next procedure?

To go over carefully all of the additions in the Ledger.

39. If these are found correct, what next?

Examine the journal entries, and see if the debits and credits are equal.

40. If still no error is found, what is the next step?

To check off the postings to the Ledger.

41. What is meant by this?

It means to review the posting of each amount, entering a light check mark with lead-pencil in the Ledger, opposite each amount that is correctly posted. It is not necessary to check the Journal.

42. If the error is still undiscovered, what are we to conclude?

Either that we have made a mistake in some of the steps taken to ascertain the error, or else that there is an error in our last balance of balances, through which the books were out of balance at the beginning of the business.

MISCELLANEOUS

43. What is meant by the explanation of an entry?

A statement setting forth plainly the details of the transaction.

44. What is the necessity for making an explanation full and complete?

To enable any one who might be called upon to take charge of the books, to understand clearly the details of every transaction in connection with the business.

45. Is the form in which an explanation is entered important?

It is not. All that is necessary is to write just what occurred, and in such a way that any one could get a clear idea of the transaction.

46. What is meant by an indebtedness "on account"?

Any indebtedness that is not based upon the debtor's note or other promissory obligation.

47. What is meant by posting?

Posting is transferring the debit and credit amounts from the books of original entry to their respective accounts in the Ledger.

48. What is an opening entry?

It is a preliminary entry setting forth the character and conditions of the business, and including an exhibit of the various resources and liabilities on commencing the business.

49. Under what circumstances should the amounts of the opening entry not be posted to the Ledger?

When they are included in accounts that are already in the Ledger when the business is commenced.

50. At what time should the folio pages be entered in connection with the posting?

Immediately after the amount has been entered in the Ledger.

51. When goods are sold on account, why should the sale be itemized on the books?

In order that the seller may have a complete history of the transaction, in the event that the buyer disputes the account.

52. State the purpose of receipts.

The purpose of a receipt is to supply formal and reliable evidence that money has been paid, or that property has been delivered.

53. When should you exact a receipt?

Whenever money is paid, and when property is delivered, without a formal record being made of such delivery.

54. Is a certified check negotiable?

It is.

55. What is meant by the "legal rate" of interest?

The rate that is prescribed by law for cases where interest is to be paid, but no rate has been agreed upon. The legal rate varies in the different States, but it is usually lower than the current rate charged by the banks.

EXERCISES IN JOURNALIZING

1. Bought of Harmon & Sons on account, five tons of coal for use in the store. What entry?

Expense to Harmon & Sons.

2. Deciding that more coal had been bought for the use of the store than would be needed, we sold one ton of the same for cash. What entry?

Cash to Expense.

3. Gave Joseph Brown a check in payment of my note in his favor for $150 with interest on the same $12. What accounts are affected in this transaction?

Bills Payable, Interest and Discount, and Cash.

4. How are these accounts affected, and why?

Bills Payable is debited because our note is received; Interest and Discount is debited because it costs us value; and Cash is credited because cash is parted with.

5. Henry Smith gave us a check in payment of his note in our favor for $75, interest on the same $6. What accounts are affected?

Bills Receivable, Interest and Discount, and Cash.

6. How are these accounts affected, and why?

Cash is debited because it is received; Bills Receivable is credited because we have parted with a bill receivable; Interest and Discount is credited because it has yielded us value.

7. Paid our note without interest, giving a check for one half of the face, and mdse for the balance. What entry?

Bills Payable to Cash and Mdse.

8. Give the form of entry required for the following transactions:

9. Sold mdse to R. Miller, receiving in payment a certified check.

Cash to Mdse.

10. C. W. Jones settled his account by giving us his note at thirty days.

Bills Receivable to C. W. Jones.

11. Accepted Hart & Co.'s draft on us at ten days' sight.

Hart & Co. to Bills Payable.

12. R. J. Miller gave us a check in payment of his note with interest.

Cash to Bills Receivable and Interest and Discount.

13. Settled our account with Stephens & Bros., giving them our note at thirty days.

Stephens & Bros. to Bills Payable.

14. Sold T. S. Brown a bill of mdse, taking in payment his acceptance at five days.

Bills Receivable to Mdse.

15. Martin & Co. accepted our draft on them at ten days, on account.

Bills Receivable to Martin & Co.

16. Bought of Peters & Snow a bill of mdse, giving in payment our acceptance at five days.

Mdse. to Bills Payable.

17. Sold C. W. Cook a bill of mdse, receiving in payment cash and our acceptance in favor of Jones & Co.

Bills Payable and Cash to Mdse.

18. Sold Walker & Sons a bill of mdse, the amount to be indorsed on our note in their favor.

Bills Payable to Mdse.

19. Gave J. M. Day our check in payment of our note in their favor, with interest.

Bills Payable and Interest and Discount to Cash.

20. Bought a bill of mdse of C. H. Stone, giving in payment our draft on John Henderson.

Mdse. to John Henderson.

21. Gave our clerk as a portion of his salary our order on Miller & Co.

Expense to Miller & Co.

22. Sold mdse to R. Davis for his acceptance at five days.

Bills Receivable to Mdse.

23. Cook & Co., whom we owe on account, have drawn on us at ten days, and we have accepted the draft.

Cook & Co. to Bills Payable.

24. Bought mdse of Wilson & Bros., giving in payment our order on C. W. Cook.

Mdse to C. W. Cook.

25. Gave J. W. White a check in payment of his bill for expert work on our books.

Expense to Cash.

26. Bought of Walker & Day on account, one brl. of oil for use in our store.

Expense to Walker & Day.

27. Sold ten gals. of the oil referred to in the last transaction to George Moore on account.

George Moore to Expense.

28. Sold Chas. Wilson a bill of mdse the same to be applied as part payment of interest due on our note in his favor.

Interest and Discount to Mdse.

29. Paid our note in favor of R. S. Harper with interest on the same, giving our draft on Kingman & Co.

Bills Payable, and Interest and Discount to Kingman & Co.

30. Bought mdse of Henderson & Co., paying cash for a part of the purchase, and our note, at thirty days, for the balance.

Mdse to Cash and Bills Payable.

CASH BOOK

386. The Cash Book is a separate book in which no other but the Cash account is kept.

(Many houses keep two Cash Books, a Main or General Cash Book, and a Petty Cash Book, in the ordinary or common form, or as an Imprest Petty Cash Book. The Petty books will be explained later.)

The General Cash Book for Double Entry generally has two or more money columns on each page, and two pages are used to record all transactions involving cash. The left-hand page is used as the debit side of the Cash account and contains a record of all cash received. The right-hand page is used as the credit side of the Cash account and contains a record of all cash paid out.

> What is Cash in bookkeeping? In general, a bookkeeper would be safe in accepting gold coins, silver coins, nickels, copper coins, gold certificates, silver certificates, greenbacks, National bank notes, personal checks from his customers, *but not from strangers*, personal checks certified, cashier's checks, bank drafts, bills of exchange, postoffice money orders, express money orders, telegraph money orders, and letters of credit, as cash.

The illustration on pages 82 and 83 shows a Cash Book with two money columns on each page.

The method of making entries in, and the posting from, the Cash Book, will depend on how the columns are used. Three of these ways are explained under *A*, *B*, and *C*.

A. If the left-hand money column is used for Items and the right-hand money column for Totals, then, since the left-hand page is the debit side,

387. *To record the name of an account on the left-hand page debits cash and credits the account.*

This will be made clear if the first sale of Mdse to O. C. Dailey, for cash, is journalized. The Journal entry would be Cash to Mdse $826.40. Par. 15. From this entry it will be seen that the Mdse item would post to the credit of Mdse account. Using the columns in this way the rule, then, is: *Post all accounts on the left-hand page of the Cash Book to the credit side of their respective accounts in the Ledger.*

Since the right-hand page is the credit side,

388. *To record the name of an account on the right-hand page credits Cash and debits the account.*

This will be made clear if the first entry on the right-hand page of the Cash Book is journalized. The Journal entry would be Expense to Cash, $200. Par. 15. From this entry it will be seen that the Expense item would post to the debit of Expense. Then, the rule is: *Post all accounts on the right-hand page of the Cash Book to the debit of their respective accounts in the Ledger.*

389. As the Cash Book is the Cash account, when a Cash Book is used it is not necessary to carry a Cash Account in the Ledger. Some, however, carry the cash Balance each month to the Ledger. Others carry monthly debit and credit footings to the Ledger, preparatory for Trial Balance. Perhaps most bookkeepers do not carry Cash account in any form in the Ledger, but take the monthly Balance or debit and credit footings directly from the Cash Book to the Trial Balance.

390. In actual business the Cash Book is footed in pencil and the cash account verified each day, as directed in "Testing Cash" and the "Daily Cash Balance Book," elsewhere in this book (or some similar plan is used), and the Cash Book is balanced and ruled up only at the end of the month.

391. However, in your schoolwork, for practise, you should verify, balance, and rule up your Cash Book every day, in accordance with the Cash Book illustrations in this book.

392. In transferring the Cash Account from the Ledger to the Cash Book, you should enter on the credit side of the Cash account in the Ledger, in red ink, "Balance to Cash Book page —," and the amount. Then double rule the account and on the left-hand page of your Cash Book write the words "Balance from Ledger, page —," and the amount. See pages 82, 83.

BILLS RECEIVABLE, BILLS PAYABLE, INTEREST, AND DISCOUNT

Interest is Cash allowed for the use of money.

Discount is an amount deducted from a debt that is due or that may become due at some future time.

393. If you receive Cash for a Bills Receivable or for any part of the note, enter Bills Receivable and the amount on the left-hand page, par. 15. If you receive cash for interest, enter Int. and Dis. and the amount on the left-hand page, par. 15.

394. If you pay a Bills Payable, or any part of your note, enter Bills Payable, and the amount on the right-hand page, par. 15. If you pay cash for interest, enter Int. and Dis. and the amount on the right-hand page, par. 15.

395. Both interest and discount are treated as losses or gains, and are generally entered under an account called Int. and Dis.

396. If you allow a discount, enter the name and the full amount of the account on the left-hand page, par. 15. Then, enter Int. and Dis. and the amount of the discount on the right-hand page, par. 15. If you are allowed a discount, enter the name and the full amount of the account on the right-hand page, par. 15. Then, enter Int. and Dis. and the amount of the discount, on the left-hand page, par. 15.

397. No entry should be made for the interest on interest-bearing notes at the time of receiving them, or giving them, unless it should be for accrued interest to date. In such case the entry would be made for the accrued interest only; that is, for the amount of interest due at the time you receive or give the interest-bearing paper.

MDSE DIS. ON INVOICES AND SALES

If you pay an invoice before the discount period expires (1) make out your check for the amount of the invoice less the discount, and enter the name of the firm and the full amount of the invoice on the right-hand page, par. 15; (2) then, enter Mdse Dis. and the amount of the discount on the left-hand page, par. 15. *If a customer pays you* before the discount period expires, (1) enter his name and full amount of the bill on the left-hand page, par. 15; (2) then enter Mdse Dis. and the amount of the discount on the right-hand page, par. 15.

B. If the left-hand money column on the left-hand page is used to record Mdse Sales, and the right-hand money column on the same page, to record sundries (accounts that are to be posted daily), and the left-hand money column on the right-hand page to record Expense items, and the right-hand money column on the same page to record Sundries (accounts to be posted daily); then, the several amounts in the Sundries column on the left-hand page would be posted daily to the credit of their respective accounts in the Ledger, and the total of the Mdse Sales column would be posted to the credit of Mdse at the end of the month; and the several amounts in the Sundries column on the right-hand page would be posted daily to the debit of their respective accounts in the Ledger, and the total of the Expense column would be posted to the debit of Expense at the end of the month. Instead of Expense, Mdse Purchases may be used.

C. If the right-hand money column on the left-hand page is used to record the amount of cash actually received, and the left-hand money column on the same page to record the amount of Mdse Dis., or vice versa, then *when a customer pays us* in time to get advantage of the time discount, enter his name and the amount of money received in the right-hand money column and the amount of Mdse Dis. in the left-hand money column, on the left-hand page. Post from the left-hand page the amount of Cash plus the Mdse Dis. to the credit of the customer's account. Post the total of the Mdse Dis. column on the left-hand page at the end of the month to the debit of the Mdse Dis. account.

If the right-hand money column on the right-hand page is used to record the amount of cash paid and the left-hand money column, on the same page, to record the amount of Mdse Dis., or vice versa, then *when we pay a creditor* in time to get advantage of the time discount, enter the creditor's name and the amount of cash paid in the right-hand money column and the amount of Mdse Dis. in the left-hand money column on the right-hand page. Post from the right-hand page, the amount of the cash plus the amount of the Mdse Dis. to the debit of the creditor's account. Post the total of the Mdse Dis. column on the right-hand page, at the end of the month, to the credit of the Mdse Dis. account.

Instead of Mdse Dis. or Mdse Sales, on the left-hand page, and of Mdse Dis. or Expense on the right-hand page, any other account occurring more frequently should be substituted. The naming of the columns will, of course, depend on the nature of the business.

The columns of a two-column Cash Book may be used in any way the teacher may prefer, but it is suggested that they be used in at least as many different ways as suggested herein.

From the advantages in the saving of entries and postings by using the columns of a two-column Cash Book in different ways, the learner will understand that by the use of an extensively columned Cash Book, there will remain little, if any, use for a Journal, and many business houses do not use a Journal.

TESTING CASH

To test your cash account, take your pass book, and all currency, checks, and drafts on hand to the bank, and deposit your cash in the bank. Leave your pass book at the bank to be balanced. Later call for your pass book, and your canceled checks.

When your canceled checks are returned to you, arrange them in consecutive order, according to the numbers of the checks in the Banking Ledger or on the stub of Check Book. Then by comparing the Banking Ledger or stub of Check Book with the returned checks, you can determine the checks, if any, and the amount of the checks that you have given out, but which have not been returned to the bank for payment. Thus: Suppose the Banking Ledger or stub of Check Book should show that checks to the amount of $200 have been issued, but not returned to the bank for payment. Then, if your Banking Ledger or stub of Check Book shows that you should have only $300 in the bank, but your pass book shows that you have $500 to your credit, the $200 in checks that you have issued, but which have not been returned to the bank, but are still outstanding, will account for the difference between your Banking Ledger or stub of Check Book and the account as shown by your pass book. Make a record of the checks outstanding, for future reference.

This test will determine whether your cash account at bank is correct.

If cash account is off, (1) go over your checks and see that each cash payment agrees with its canceled check; (2) compare total cash payment as shown by the cash book with total checks issued; (3) compare total cash payment as shown by pass book with total canceled checks; (4) compare each deposit in Banking Ledger or on stub of check book with each deposit to bank in pass book; (5) compare total deposits on Banking Ledger or on stub of check book with total deposits on pass book; (6) compare total receipts of cash with total deposits in pass book.

By following these directions you will find your difference

CASH, Dr.

Date		Name of Account	Explanation		Item Column	Total Column
19	LF					
Oct. 15	26		Balance from Ledger			4938 34
15	38	J. J. Jones	Mdse. Sale Ck. No. 127	127	30 60	
16	39	M. C. Bane	" " Ck. No. 129	129	26 16	
16	40	H. C. King	" " Ck. No. 130	130	23 78	
16	41	J. W. Langley	" " Ck. No. 131	131	17 44	
19	18	Ed Lockwood	On Acct. Ck. No. 136	136	161 82	
20	9	W. E. Lawson	Mdse. Sale Ck. No. 137	137	17 75	
20	24	W. J. Armstrong	On Acct. Ck. No. 138	138	77 52	
20	14	Bills Rec.	Reg. 86	140	30 58	
20	16	Int. & Disct.	On above 10 d. 6%	140	15	
22	37	R. A. Allen	Mdse. Sale Ck. No. 150	150	58 41	
27	3	Expense	Rebate on Gas Bill	159	1 00	
27	14	Bills Rec	Reg. 161	161	32 16	
28	19	W. J. Campbell	On Acct. Ck. No. 153	160	15	
28	8	R. J. Lane	On Acct. Ck. No. 155	175	21 42	
	6		Total Receipts			513 79
						5452 13
Oct. 27		Balance	On hand			4770 55

CASH, Cr.

Date		Name of Account	Explanation	LF	Item Column	Total Column
19		LF				
Oct.	15	42 Mdse.	Inv. No. 33	126	5 4 60	
	16	42 Mdse.	Inv. No. 34	128	3 3 16	
	19	26 F. H. Ward Supply Co.	On Acct. Ck. No. 24	133	9 2 15	
	19	42 Mdse.	Inv. No. 36	134	5 6 05	
	20	20 Mankato Merc. Co.	On Acct. Ck. No. 26	139	2 4	
	20	10 Minnesota Grocery Co.	On Acct. Ck. No. 27	141	4 4 85	
	21	15 Bills Pay.	Reg. No. 9	143	9 5 80	
	21	16 Int. & Disct.	On above	143	13	
	22	3 Northwestern Prod. Co.	On Acct.	151	7 8	
	22	24 Expense	Gas Bill	144	3 50	
	27	42 Mdse.	Inv. No. 41	158	6 4 50	
	27	29 Collection	On Campbell's Draft	160	15	
	27	16 Int. & Disct.	On Armstrong's Note	161	2 26	
	27	3 Northwestern Prod. Co.	On Acct	162	3 0	
	27	25 Blue Earth Trad. Co.	On Acct.	167	4 6 50	
	27	42 Mdse.	Inv. No. 43	169	5 5 50	
	27	13 Mdse. Disct.	R J. Lane	175	43	
		6	Total Payments			6 8 1 58
	27	V *Balance*	*On Hand*			*4 7 7 0 55*
						5 4 5 2 13

DAILY CASH BALANCE BOOK, DEC. 21, 19____

CURRENCY AND COIN Itemized List			1 Total of Itemized List		2 Checks		3 Drafts		4 Money Orders		5 Debit Cash Tickets		6 Total in Drawer		7 Less Cash Credit Tickets		8 Balance in Drawer		9 Cash		10 Book		11 Balance in Bank		12 Balance on Hand	
																			Dr.		Cr.					
60		In Gold	172	94	184	17	167	25	18	39	5	63	548	38	5	00	543	38	1269	66	184	99	541	29	1084	67
40		In $20 Bills																								
30		In $10 Bills																								
15		In $ 5 Bills																								
14		In $ 2 Bills																								
7		In $ 1 Bills or Silver																								
2	50	In 50c																								
1	75	In 25c																								
1	40	In 10c																								
1	05	In 5c																								
	24	In 1c																								
172	94																									

DAILY CASH BALANCE BOOK

(1) The bookkeeper or cashier should supply himself with a small book properly ruled—with twelve columns as shown in the illustration of the Daily Cash Balance Book. Some bookkeepers make out daily report on a sheet of paper, but it is better to have a permanent book; or use Loose-Leaf System.

(2) He should find the balance in the bank as shown by the stub of his check book, banking ledger, or check register, depending on which method is used to keep account of cash in bank.

(3) He should next find the balance on hand as shown by the Cash Book.

(4) He should find the amount in the Cash Drawer as shown by the illustration in the Daily Cash Balance Book. To get "Total in Drawer" add columns 1, 2, 3, 4, 5. To get "Balance in Drawer" take column 7 from column 6. If, as is usually the case, a certain amount had been put in the Cash Drawer in the morning, to make change through the day, this amount for change should be noted, before business opens in the morning, and deducted from the total in Drawer at night, to get the exact receipts for the day. The balance in drawer plus the balance in bank should equal the balance on hand as shown by the Cash Book. If the cash drawer, plus balance in bank, should show more than the balance on hand, cash is "long;" if less, cash is "short." The error must be found.

If the bookkeeper will write in Cash Book "ck." (check) "df." (draft) or "cy." (currency) "P. O." (postoffice money order) "E. M. O." (express money order), etc., after each item received and

also after each item of Cash paid out, the information in these notes will often help him to locate his error. If an amount is paid out by check or draft the number of the check or draft should always be designated in the explanation column of his Cash Book. If the bookkeeper is unable, after careful and diligent search to find the error, he should debit himself by writing his own name on the right-hand page of the Cash Book, with the explanation "Cash Short" and the amount "short" following his name, in red ink. Some incident the next day may disclose the "Cash Short." If long, then he should credit himself by writing his name on the left-hand side of the Cash Book with the explanation "Cash long" and the amount "long" following his name, in red ink. Again some incident may disclose the error and it should be corrected. The bookkeeper should not allow his cash account to show "long" or "short" very often. If he does he will be "long" on time and "short" on a job.

(5) If the stub of the check book should show an overdraft, the amount of the overdraft should be taken from the amount in the drawer to get the amount on hand. If the overdraft should be greater than the amount in the drawer, the difference is the amount of cash balance overdrawn.

(6) He should show the page of his Daily Cash Balance Book for the day, to the proprietor.

(7) By referring to the illustration (columns 9, 10, 12) it will be seen that the difference between the two sides of the Cash Book, $1,269.66 less $184.99, equals the "Balance on hand," $1,084,67, which proves the cash account for the day.

FOR BANK ACCOUNT IN CASH BOOK, See Par. 529

PETTY CASH BOOK

The Petty Cash Book is a book in which record is made of petty cash purchases of small office supplies, etc., and petty cash expenditures such as carfare, stamps, express, freight, etc.

The directions for the use of this book should be studied in connection with the study of the Petty account in the Ledger. The two accounts are very different. They should not be confused. The fact that the two have been confused, and the Petty Cash Book charged with small receipts for petty sales of merchandise, etc., and the petty cashier allowed to buy small articles on time and pay for them when some petty sale was paid for, has led to confusion and opened the way for fraud. The Petty account in the Ledger should be kept entirely separate and apart from the Petty Cash Book. Petty Sales to customers that have no account in the Ledger should be charged to Petty account as directed under "Petty or Miscellaneous account," see par. 644, and when they are paid for the amount should go into the Mdse Sales for the day. The confusion of these two accounts, combining the two in one, is designated as the common way. This way of handling Petty Cash Book should be avoided. The Petty or Miscellaneous account in the Ledger is a great convenience, and a time-saver.

IMPREST PETTY CASH BOOK

The proper way to keep the Petty Cash Book is by what is often called the Imprest System or the Imprest Petty Cash Book.

If this method is properly carried out, there is practically no chance of peculation by the Petty Cashier, as all his transactions are brought to the attention of the head cashier or bookkeeper or to the proprietor.

To carry this method out properly these directions must be religiously followed:

(1) The head bookkeeper or head cashier issues a check payable to the petty cashier, who is some responsible employee, for an amount that has previously been decided on as the amount necessary to take care of all petty expenditures, for a month, which cannot be conveniently paid by check.

(2) All receipts of cash (pennies included) are to be deposited at bank daily, either at night or early next morning.

(3) The petty cash book is to have no other source of receipts except by check from the bookkeeper or head cashier.

(4) The petty cashier is not to buy anything on time, but is to make additional requisition (Imprest) on the head cashier when his funds run low.

(5) The petty cashier is to get a receipt in some form, either an O. K'd or initialed statement, for each expenditure, no matter how small. Expenditures for small items like carfare, etc., can be O. K'd by the bookkeeper, cashier, or some one in authority that ordered or approved the expenditure. In this way, a voucher for each expenditure may be submitted to the bookkeeper or head cashier at the end of the month (or other time) when the petty cashier makes additional requisition for an amount sufficient to keep his fund up to the amount decided on as necessary. Then the Petty account is as readily audited as any other account.

Suppose the amount decided on is $60. It will be seen from the accompanying illustration that the total petty expenditure for the month of September was $27.27. Then the petty cashier submits his vouchers for his expenditures and makes a requisition (demand or Imprest) for an amount necessary to start out at the beginning of the month with the required amount for the expenditures for the month.

The classification for the expenditures in the illustration is only suggestive. The Petty Cash Book may have few or many columns, depending on how minutely the bookkeeper desires to classify such expenditures.

The Petty Cash Book is opened by entering "Petty Cash Book $60" on the right-hand page of the General Cash Book. When the petty cashier submits his vouchers at the end of the month, the head bookkeeper or head cashier issues another check sufficient in amount to make up the difference between the petty cashier's total expenditures and the $60. The bookkeeper would then debit the accounts, according to this classification, by entering on the right-hand page of the General Cash Book, Freight $12.52, Drayage $3.50, Express $.25, Postage $6.00, Stationery $.80, Expense $4.20. This check would be made payable to the petty cashier as before, but charged to the above accounts and *not* to the Petty Cash Book.

From the illustration it will be seen that the petty cashier starts out at the beginning of each month with $60 or whatever amount has previously been decided on. The illustration shows the method of balancing and closing the Imprest Petty Cash Book.

The Petty Cash Fund is to be kept in separate compartment and no one but the petty cashier is to have access to that compartment.

If at any time the amount is found too small it should be increased to meet the expenditures for a full month and thus avoid unnecessary entries on the General Cash Book.

The foregoing method of handling the Petty Cash Book is in vogue in many of the most progressive houses.

IMPREST PETTY CASH BOOK

Date		C B Folio	Explanation	Voucher No.	Receipts		Freight		Drayage		Express		Postage		Stationery		General		Total Paid	
19 Sept.	16	56	Check No. 136		60															
	16		Carfare	1														10		10
	17		Express, Fargo	2								25								25
	17		Freight, B & O	3			12	52											12	52
	18		Drayage, Hogan Co.	4					3	50									3	50
	24		Stamps, 300 2 cent	5									6						6	
	27		Box Esterbrook Pens	6											80					80
	28		Messenger, A D	7														20		20
	30		Washing Windows	8													3	90	3	90
							12	52	3	50		25	6		80		4	20	27	27
	30	79	Check No. 208		27	27														
*	*30*		*Balance on hand*																*60*	
					87	27													87	27
19 Oct.	1		Balance on hand		60															

* Italic line Red Ink.

CASH BOOK EXAMINATION

1. What is a Cash Book?

2. How many pages are used to represent the Cash account?

3. Which side of the Cash account does the left-hand page represent? Which the right-hand page?

4. If the left-hand money column on the left-hand page is used for items and the right-hand money column on the same page is used for totals, what is the effect of writing the name of an account on the left-hand page?

5. Using the columns as in question 4, how are accounts on the left-hand page posted?

6. If the left-hand money column on the right-hand page is used for items and the right-hand money column on the same page is used for totals, what is the effect of writing the name of an account on the right-hand page?

7. If the left-hand money column on the left-hand page is used to record Mdse sales, and the right-hand money column on the same page to record Sundries, how post from the left-hand page?

8. If the left-hand money column on the right-hand page is used to record Expense items, and the right-hand money column on the same page to record Sundries, how post from the right-hand page?

9. If the left-hand money column on the left-hand page is used to record Mdse sales, and the right-hand money column on the same page to record Sundries; and the left-hand money column on the right-hand page is used to record Mdse purchases, and the right-hand money column on the same page to record Sundries, how post from the left-hand page? From the right-hand page?

10. Using the columns as in question 9, how many entires and how many postings would you save in the entries illustrated on pages 83 and 84?

11. If the right-hand money column on the left-hand page is used to record the amount of money actually received, and the left-hand money column on the same page to record the amount of Mdse Dis., in what column would you set the amount of a Sundries account? How would you post from the left-hand page?

12. If the left-hand money column on the right-hand page is used to record the amount of cash actually paid, and the left-hand money column on the same page to record the Mdse Dis., in what money column would you set the amount of an Expense item? How would you post from the right-hand page?

13. If the money columns are used as in question 4, and you allow a discount, how would the discount be entered? How would the account be entered? How post each?

14. Using the money columns as in question 4, and you are allowed a discount, how would the discount be entered? How would the account be entered? How post each?

15. Describe how you would prove your bank account.

16. If the bank account is off, how would you proceed to find the error?

17. Describe how to use a Daily Cash Balance Book.

18. What precautions would you take in entering items in your Cash Book to assist you to locate mistake?

JOURNAL ENTRIES

1. Mdse sold for time papers, such as notes, drafts, acceptances, etc. Sale not itemized.	Bills Rec.		125			
	Mdse				125	
	Sold to D. M. Grant Mdse as per bill rendered for his 30 day note, Reg. No. 26.					
2. Mdse sold for time papers, such as notes, drafts, acceptances, etc. The sale itemized.	Bills Rec., Reg. No. 22		123	50	123	50
	Mdse					
	10 brls. Flour $ 5 ..... $50					
	4 " Pork 20 80					
	$130					
	Less 5 % Dis. 6.50					
3. Bought Mdse, paying for same by a sight draft.	Mdse		236			
	H. S. Jones				236	
	Gave W. J. Quinn sight draft on H. S. Jones in full for Inv. No. 108.					
4. Mdse bought for your acceptance.	Mdse		316			
	Bills Pay.				316	
	Accepted W. S. Conklin's draft at ten days' sight, Reg. No. 42, for Inv. No. 110.					
5. Bought Mdse., giving in payment cash and Mdse.	Mdse.		200			
	Cash				125	
	Mdse				75	
	Paid cash $125, Ck. No. 96 and Mdse. $75 (6 brls. Pickles @ $12.50), in full for Inv. No. 149.					
6. Sold Mdse receiving in payment cash and Mdse.	Cash		98			
	Mdse		132			
	Mdse				230	
	Sold to R. T. Brown:					
	10 brls. Flour $ 5 ..... $50					
	4 " Pork 20 80					
	5 " Beef 12 60					
	10 " Salt 4 ..... 40 230					
	Recd. in payment cash $98, and Mdse $132, as per Inv. No. 163.					
7. Cash received in payment for time papers, such as notes, drafts, acceptances, etc.	Cash		145			
	Bills Rec.				145	
	Recd. E. B. Morgan's Ck. No. 432 for his acceptance at 30 days, Reg. No. 29.					
8. Paid cash for your own interest bearing paper.	Bills Pay.		361	48		
	Int. & Dis.		5	42		
	Cash				366	90
	Gave B. M. Thomas my Ck. No. 142 for Reg. No. 29, with 90 days' Int. at 6%.					
9. The bank notifies you of collection of time papers not bearing interest, which have been left by you for collection, the net proceeds being placed to your credit.	Cash		174	45		
	Coll. & Dis.			55		
	Bills Rec.				175	
	Merchants Bank collect M. A. Dunham's 30 day note, Reg. No. 45. Net proceeds placed to my credit.					
10. The bank notifies you that they have collected interest bearing time papers, net proceeds being placed to your credit.	Cash		352	75		
	Coll. & Dis.			75		
	Bills Rec.				350	
	Int. & Dis.				3	50
	Merchants Bill collect J. P. Southworth's 30 day note, Reg. No. 54, and 60 days' Int. at 6%. Net proceeds placed to my credit.					

JOURNAL ENTRIES—Continued

11. When you buy a Bank Draft, Bill of Exchange, Express Money Order, or other paper for which you pay a charge and remit to some person on account.	C. R. Williams		241	20		
	Exchange			30		
	Cash				241	50
	Sent C. R. Williams Chicago Exchange No. 2639 for $241.20 to apply on %. Exchange 30c, Ck. No. 963.					
12. When you pay for a horse and wagon, stove, desk, office chairs.	Chattels		250			
	Furniture and Fixtures		69	79		
	Cash				319	79
	Bought Horse and Wagon of H. M. Cutler for use in the business, $250, also Furniture and Fixtures as per Inv. No. 158. Paid for same by Ck. No. 942.					
13. When you prepay your own note, obtaining discount.	Bills Pay.		500			
	Cash				495	
	Int. & Dis.				5	
	Gave Brown & Co. my Ck. No. 126 in full for Reg. No. 42, less special Dis. of $5 for prepaying same.					
14. The Bank pays your note and charges same to your account.	Bills Pay.		300			
	Int. & Dis.		3			
	Cash				303	
	Merchants Bank paid our note favor J. W. Bryce—Reg. No. 138—and 60 days' Int. 6%.					

398. Receipts. When a person pays money or delivers property to another on account or for any other purpose, the person who receives the money or property should give the person from whom it was received a written acknowledgement of the same. This acknowledgement is called a receipt. Receipts are unnecessary when property is paid for and delivered at the time of sale, but where a bill is rendered for a cash sale of merchandise it is customary to receipt the bill. The following is the common form of receipt.

No. 11

Date Oct 11 1909

To L M Anderson
Chicago

For a/c in full to date 10% Dis Cash 3 days

$180.00

No. 11 Moline, Ills. Oct. 11, 1909

RECEIVED OF L. M. Anderson

One Hundred Eighty ——— DOLLARS
College Currency

In full of a/c to date.

$180.00 A. B. Burton

Receipt on Account.—A receipt of this kind acknowledges a payment on account, and implies a balance remaining unpaid.

Date Sept 10, 1909

To L. M. Case
Boston

for account

$180.00

Cincinnati, O. Sept. 10, 1909

Received of L. M. Case

One Hundred Eighty ——— DOLLARS

on account

$180.00 A. B. Burton

399. The Columnar Journal.—The Columnar Journal is now first introduced into your work. The purpose of this class of books is to save time and labor by posting aggregate amounts instead of the separate amounts in certain classes of transactions.

400. Four-Column Journal.—As its name indicates, this book consists of four money columns,—two for the debit side and two for the credit side,—the entries being recorded in the middle of each page between the debit and credit sides. See pages 90 and 91. The sundries columns are for the entry of all amounts other than merchandise, while the merchandise columns are for the purchases and sales of merchandise except sales on account. See par. 433, 553, 620.

401. The amounts in the sundries columns are posted as in the common Journal, while the merchandise columns are posted through their aggregate footings at the close of the day, week, or month.

402. Column Footings.—In keeping this book, the footings of each of the four columns are entered in black ink at the bottom of each page (see form); but before making these entries their accuracy should be tested by comparing the sum of the footings of the two debit columns with that of the credit columns; these sums of course should be equal. For the purpose of making this comparison, the footings of the columns should be first written on a piece of waste paper, and when found to be correct, should be entered in black ink at the foot of each column, and then carried forward to their respective columns at the top of the next page. See forms on pages 90 and 91.

403. At the time of posting the merchandise columns, or whenever the books are closed, the columns should be balanced, as shown on the last page of the accompanying form, at which time the aggregate footings of the merchandise columns are posted to the Merchandise account in the Ledger.

404. The form of Four-column Journal herewith given will illustrate the general method of keeping this book.

405. Opening Entry.—The opening entry for this book does not differ materially from that of an ordinary Journal. All resources are entered in the debit sundries column and all liabilities in the credit sundries column. The merchandise inventory is not entered in the merchandise column for the reason that it already appears in the Ledger; if it were entered in the merchandise column, it would be posted with the final aggregate footing of that column at the close of the business, and hence would reach the Ledger a second time.

406. *Direction.*—After examining the opening entry in the accompanying form, write the opening entry required on the first page of your Four-column Journal.

PRIVATE ACCOUNT

407. A Private account is an account kept with the proprietor, separate from the Stock account. There are several reasons for keeping this account. In it should appear all withdrawals from the business by the proprietor to meet personal expenses, which are supposed to be paid from the profits of the business and not withdrawn from the capital. This account is not kept by all bookkeepers, but it should be, as it prevents withdrawals and unimportant changes from appearing in the Stock account, this account remaining unchanged till the end of the year, which is generally desirable, as it represents the working capital of the business. However, if large sums are permanently withdrawn from the business, they should be charged to the Stock account, and not to the Private account.

408. The Private account is sometimes opened for the purpose of reducing the Stock account to even hundreds or thousands before admitting a partner.

409. This account is sometimes provided with a credit amount, against which to draw, as in cases where the partners of a business are allowed a salary for their services. This is usually placed to the credit of each partner's Private account at the end of the month or year as desired.

410. It must not be forgotten that when salaries are allowed the partners, the business will show that much more of a loss, and if the real earnings of the business are wanted, the amount of these salaries must be taken into consideration; but as the Private accounts will show a corresponding gain, the business is not affected by allowing the salaries.

Cincinnati, O., Nov. 1, 19

MDSE		SUNDRIES		L.F.	EXPLANATION	L.F.	SUNDRIES		MDSE	
					I, H. B. Burton, have this day adopted the Four-Column Journal as a book of original entry. The resources and liabilities of my business at the present time are as follows:					
		6,425	50	9	Cash, per C. B., page 9					
		975	20	4	Mdse per Inv'ry.					
		1,218	40	6	Bills Rec. Reg. No. 9					
		340		7	W. D. Gordon on acc't.					
					Bills Pay. Reg. No. 6	8	582	50		
					W. D. McGraw, on acc't.	12	456	80		
					H. B. Burton, Stock.	1	7,919	80		
742	80				Mdse Bills Pay. Gave E. C. Miller our 30 day note as per Reg. No. 20 in full for invoice No. 130.		742	80		
298	10				Mdse Bills Pay. Accepted E. B. Morgan's draft at 10 days' sight, Reg. No. 21, in full for invoice No. 141.		298	10		
		560	50		Bills Rec. Mdse Sold Mdse. as per bill rendered to Geo. Snyder for his draft at 10 days' sight on Harry Hunter, Reg. No. 36.				560	50
145	20				Mdse D. M. Grant Gave W. J. Quinn a sight draft at 10 days on D. M. Grant in full for Inv. No. 142.		145	20		
146	20				Mdse A. E. Brown Inv. No. 143 on account		146	20		
					Nov. 2, 190					
460	50				Mdse Bills Pay.		200			
					W. G. Evans		260	50		
					Gave W. G. Evans my 60 day note for $200, interest at 6%, Reg. No. 22, in part payment of Inv. No. 144, balance on account.					
		300			Bills Rec. Mdse				100	
					J. B. Cobb		200			
					Received J. B. Cobb's 60 day note for $300, interest at 6%, Reg. No. 45, in full for Mdse as per bill rendered $100, balance of $200 to apply on his account.					
180					Mdse					
					Bills Pay.		80			
					J. M. Griffin		100			
					Gave J. M. Griffin my 90 day note for $100, interest at 4%, Reg. No. 23, in part payment of Inv. No. 44, $180, balance on account.					
		125			Bills Rec. Am. Mdse Co. Accepted my ten day draft favor self, Reg. No. 43, to apply on %.		125			
1,972	80	9,944	60	91	Fwd	91	11,256	90	660	50

Cincinnati, O., Nov. 2, 19

MDSE		SUNDRIES		L.F.		L.F.	SUNDRIES		MDSE	
1,972	80	9,944	60	90	Brt Fwd	90	11,256	90	660	50
		51			Bills Rec. Reg. No. 46. Mdse				51	
					3 brls. Beef, $12.00 $36.00 5 tons Bran, 3.00 15.00					
		640			O. C. Dailey. E. C. Mills		640			
					Gave O. C. Dailey for % in full to date a 10 day draft on E. C. Mills.					
		480			R. W. Walters. Bills Pay.		480			
					Gave him my 30 day note, Reg. No. 49, Int. 6%, in full for Inv. of 9th ult.					
		200			Bills Rec. W. B. Jones		200			
					Rec'd his 30 day note, Reg. No. 48, Int. 6%, in full for bill of 3d inst.					
		360			Bills Rec.					
		40			Mdse Dis. J. B. Brown		400			
					Rec'd his demand note, Reg. No. 50, Int. 7%, in full for bill 9th inst., less special 10% Dis. if paid by note.					
					Nov. 5, 190					
		600			O. M. Powers. Bills Pay.		594			
					Mdse Dis.		6			
					Gave my 10 day note, Reg. No. 50, in full for Inv. No. 36, less special 1% Dis. as per agreement.					
1,000					Mdse B. J. Donovan		600			
					Bills Pay.		400			
					Gave B. J. Donovan my 10 day note, Reg. No. 61, Int. 6%, to apply on Inv. No. 40, Bal. on %.					
		300			W. B. Brown Bills Pay.		300			
					Accepted his 30 day draft, favor Merchants Bank, Reg. No. 63, in full for % to the 1st inst.					
		100			B. C. Collins C. M. Gilbert		100			
					Gave B. C. Collins a ten day sight draft on C. M. Gilbert for my % in full to the 3d inst., same to apply on % with Collins.					
		1,000			O. E. Dunlap Bills Pay.		1,000			
					Gave him my 4 months note, Int. 6%, Reg. No. 54, for an accommodation. He agrees to pay same before maturity and has deposited 100 shares of Union Iron Works Stock with me as security.					
2,972	80	13,715	60		Dr. Mdse Cr.		15,976	90	711	50
		2,972	80				711	50		
		16,688	40				16,688	40		

411. Balance Sheet.—The form of Balance Sheet here given has the merit of compactness, clearness, and convenience. The principle involved is the same as the one hitherto used, the greatest difference being in the arrangement of the resources, liabilities, losses, and gains. An inspection of the accompanying form should enable the student to use it properly. Observe that the inventories are entered in red ink. Italic figures thus, *1250*, indicate red ink.

412. When instructed to use this form of Balance Sheet, make it out on balance sheet paper, and submit it to your teacher for inspection. If approved, enter a copy of it in your Balance Sheet Book. For other forms of Balance Sheets, see pages 107, 108, 116, 144.

Balance Sheet or Financial Exhibit of H. B. Burton's Business, Dec. 31, 19____

L F	LEDGER ACCOUNTS	TRIAL BALANCE				BALANCE OF BALANCES				LOSS AND GAIN ACCT			
		Debits		Credits		Resources		Liabilities		Losses		Gains	
1	H. B. Burton Stock			5000									
2	Cash	9670	50	6380	40	3290	10						
3	Expense	100								100			
4	Mdse	6460	40	7560	40	*1250*						2350	
5	B. F. Stone	1150				1150							
6	H. Murphy	264		945	50			681	50				
7	F. B. Clark	2062	30	235	80	1826	50						
8	J. F. Wyman	1520	90	2469	65			948	75				
9	D. M. Ellis	1379	75	1749	50			369	75				
10	W. D. Campbell	1966	80	233	40	1733	40						
		24574	65	24574	65	9250	00	2000	00	100		2350	
	H. B. Burton												
	Cr. by Net Stock Acct			5000									
	Cr. by Net Gain			2250						*2250*			
	H. B. Burton's Present W'th	*7250*						7250					
		7250		7250		9250	00	9250	00	2350		2350	

STEPS IN CLOSING BOOKS

413. It is important to observe proper and regular order in the various steps required in closing a set of books. As a general guide to the student, these steps are herewith given, and he is expected to follow them in all closings.

(1) Post your books; (2) Add all accounts; (3) Take a Trial Balance; (4) Test your Cash; (5) Test your Bills Receivable and Bills Payable accounts; (6) Take an inventory of stock; (7) Rule up all accounts that are in balance; (8) Make out a Balance Sheet; (9) Enter all inventories; (10) Close your books; (11) Rule up all accounts that have been balanced; (12) Balance and rule up your Stock account; (13) Take a Balance of Balances; (14) File your invoices; (15) Make out a "Final Report and Statement of your Business" in the Report Book; (16) Prepare your books for inspection; (17) Present your books to your teacher.

414. Closing Without Journal Entries.—Many bookkeepers close the Ledger without employing closing Journal Entries. This is done by entering in red ink the balance of the various loss and gain accounts in the Ledger and the Ledger page to which the losses or gains are transferred, and then transferring these balances, together with the Ledger page from which they are obtained, to the Loss and Gain Account in black ink; the account to be closed is then ruled. The Loss and Gain Account is closed by entering the net losses or net gains in red ink, together with the page of the proprietor's account, which balance is then transferred with the page of the Loss and Gain Account to the Proprietor's Stock Account, his new present worth being entered in red ink and brought down below the ruling as heretofore. See the accounts on page 93. Also pages 35, 36.

H. B. Burton, Stock.

19				19			
Sept. 30	Present Worth		5092 70	Sept. 10		1	5000
					Loss and Gain '8		92 70
			5092 70				5092 70
				Oct. 1	Present Worth		5092 70

Merchandise

19				19			
			1494				1579 20
Sept. 26		4	266 80	Sept. 26		4	145 50
"		"	216	"		"	140
27		5	263 90	"		"	97
"		"	315	27		"	131 60
"		6	189	"		5	281 30
28		"	252	"		"	252 20
30	Loss and Gain	8	192 70	28		6	87 30
				"		"	203 70
				"		"	155 20
				29		7	116 40
			3189 40				3189 40

Expense

19				19			
Sept. 10		1	100	Sept. 30	Loss and Gain	8	100

Loss and Gain

19				19			
Sept. 30.	Expense	3	100	Sept. 30	Mdse.	4	192 70
	H. B.'s Net Gain	1	92 70				
			192 70				192 70

Bills Receivable

19				19			
Oct. 3		4	1000	Oct. 7		3	1000
6		6	500	14		5	500
10		8	300	31	Balance		2300
25		9	2000				
			3800				3800
19 Nov. 2	Balance		2300				

FIRM NAME

415. The Ledger rarely ever contains an account with the firm; that is, by using the name of the firm as a ledger heading. But, when it is done, the account represents the entire investment of the firm, regardless of what the various partners have invested. This account is debited or credited at the end of the year for the loss or gain, and the articles of copartnership should stipulate the amount of each partner's investment, his proportion of the loss and gain, etc. A common and practical method of conducting the accounts of a partnership concern is to open a separate stock account with each partner, crediting them respectively for their investments on beginning business, all additional investments, and their proportion of the gain, and debiting them for withdrawals, and losses.

416. Stock.—The word "Stock" is a title that is sometimes used to represent the amount invested by a single proprietor or by all the members of a firm, but this custom is not a good one, being in no way an improvement on the "Firm Name." The best method in all cases, single proprietor or partnership, is to open an account with each individual by using his name and the word "Stock" as a ledger heading.

417. The word "Stock" is sometimes used in the place of Mdse.

418. This business is to be conducted as a partnership, and comprises a larger number and a greater variety of transactions than have been introduced in your previous business. It also requires for its successful management, a more thorough knowledge of bookkeeping.

419. Partnership.—A partnership is the voluntary association, in good faith, of two or more persons for the purpose of carrying on some specified, lawful business. In partnership associations, each partner may or may not contribute an equal share of the capital necessary for carrying on the business, as one of the parties may invest all the capital, and another give only his labor, time, skill, or experience, to the business.

420. There is usually an agreement as to the apportionment of profits or losses among the partners; but in the absence of such agreement, the losses or gains are shared equally, regardless of the amounts invested by the several partners.

421. General Arrangements, etc.—You are to make a mutually satisfactory arrangement with a student, by which he is to become a partner, making an investment of cash, merchandise, and bills receivable. This amount may equal your present net capital, or it may not be more than one half, one third, or even one fourth of this sum.

422. In arranging for the formation of the partnership, you should agree upon the proportion of gains or losses that is to be shared by each partner.

423. You are to conduct the entire business and keep the books, for which services you may receive a stated salary which should not exceed $100 a month.

424. An arrangement must be made whereby the partnership may be dissolved at any time, by either partner serving a notice upon his copartner.

425. The firm name must be formed by adding "& Co." to your own name, as "H. B. Burton & Co.," the name of the partner not appearing. This will avoid confusion in the work of the school.

426. Copartnership Agreement.—Every legal copartnership rests upon a contract, either expressed or implied, on the part of the parties. It is usual for this contract to be drawn up in legal form, and duly signed by the persons forming the partnership. The instrument is usually acknowledged before a Notary or other proper official. Such a contract is known as a "Copartnership Agreement."

427. A Copartnership Agreement, like any other contract, may be annulled or altered at any time by the mutual agreement of the parties; but if altered, the changes must be in writing, and signed by both parties in order to make them binding.

428. The accompanying form represents such a blank as is ordinarily filled out. If your partnership arrangement has been made, study this form carefully, then secure from your teacher two "Copartnership Agreement" blanks, and fill out one of them in accordance with the terms upon which your partnership has been formed. Submit it to your partner for his approval. If approved, prepare the duplicate copy, sign both copies and have your partner sign them, in the presence of two witnesses, whose signatures should also appear on both documents.

429. The accompanying form is intended merely as a guide to the student. In drawing up your own agreement have it conform strictly to the arrangement made with your partner, which, of course, may vary in several particulars from the blank here filled out.

430. When the agreements are duly signed, deliver one to your partner and retain the other for yourself.

This Agreement Witnesseth, That *H. B. Burton*
of *Rockford, Ill.,* and *J. T. Harmon*
of *Rockford, Ill.,* have this day agreed to associate themselves together in a copartnership, for the purpose of engaging in the business of *buying and selling for profit, Produce and Provisions and other Merchandise,*
at *Rockford,* in *Winnebago* County, *Illinois,*
under the firm name and style of *H. B. Burton & Co.,*
the term of said copartnership to continue *One year* from and after the *First* day
of *June,* 19 , unless sooner dissolved.

The investment of the aforesaid partners is to be as follows:
H. B. Burton is to invest the resources as shown by the last Balance Sheet in the Wholesale Flour Business heretofore conducted by him, and the liabilities of said business are to be assumed by the partnership.

J. T. Harmon is to invest Cash, Two Thousand Dollars; Merchandise as per inventory Two Thousand Five Hundred and Forty five Dollars and thirty-five Cents, and a note for One Thousand Dollars made by Henry Wells, on Jan. 13, 19 , due Jan. 1, 19 , and bearing interest at the rate of seven per cent. per annum.

The said partners are to share the losses or gains of the partnership business as follows: *H. B. Burton two thirds, and J. T. Harmon one third* of said losses or gains.

In regard to time and services to be contributed by the partners, it is further agreed that *H. B. Burton is to devote himself entirely to the business, and is to manage and conduct the same in accordance with his best judgment. It is also agreed that J. T. Harmon is not to be required to perform any service in connection with said business.*

It is further agreed that H. B. Burton is to receive compensation for his services in the sum of $100 per month, the same to be payable from the funds of the business and before the division of any accrued profits between the partners, as herein provided.

It is also agreed that aside from the profits and compensation heretofore mentioned, neither partner is to withdraw from the business any money or other property, in excess of his investment, except with the written consent of his copartner.

It is also especially agreed that neither of the parties to this contract shall sign or indorse any bond, note, draft, or commercial paper, nor sign any official or other bond, or do any other act to create a financial liability or obligation, without the written consent of his copartner.

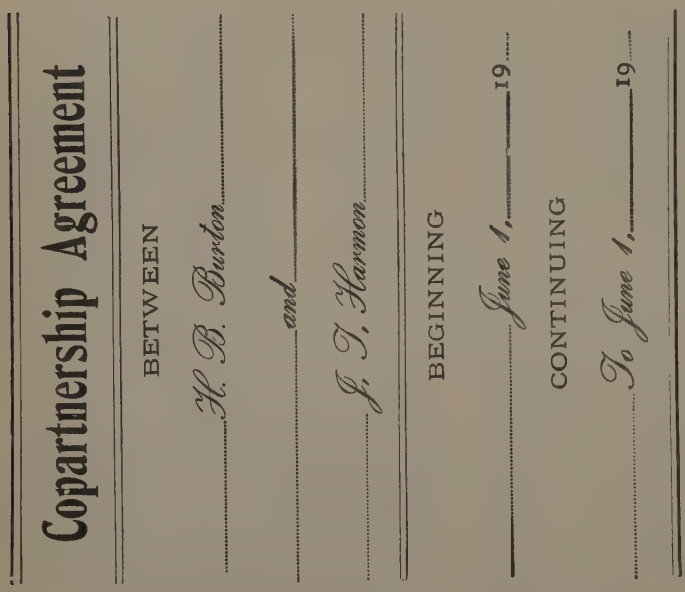
At the expiration, or in the event of the earlier dissolution of this copartnership, the business and property of this firm may be closed out by sale; and after all debts and liabilities are paid and discharged, the amount remaining shall be divided between the partners in the ratio of their respective interests.

Witness our hands this *Tenth* day of *June* 19

H. B. Burton
J. T. Harmon

I. Wilson
S. P. Davis } Witnesses.

431. Filing Articles of Agreement.—Fold your copy of the "Copartnership Agreement" in such a way that the blank filing form on the back will be outside. Then fill out this blank in accordance with the form here given, after which place the document in your Permanent File.


Copartnership Agreement

BETWEEN H. B. Burton and F. T. Harmon

BEGINNING June 1, 19..

CONTINUING To June 1, 19..

432. Books of Original Entry.—The books of original entry for this business are the Six-column Journal and Sales Book, the latter being used to record all sales of merchandise on account or for Bills Receivable, as heretofore. All sales may be recorded. See par. 344.

433. Six-Column Journal.—This book is a further application of the principle introduced in the Four-column Journal; viz., of so keeping the books of original entry as to save time and labor in posting. There are three debit and three credit columns, which are used respectively for cash, merchandise, and sundries, as indicated by the headings in the form of the book on page 97. The sundries column only should be posted daily, while the totals of the other columns are not to be posted until the books are closed. The footings of the several columns are to be tested and carried forward as previously instructed under "Column Footings," par. 402. See also par. 400, 553, 557, 620.

434. Opening Entry.—After examining the opening entry in the Six-column Journal form on page 97. make your opening entry in your Six-column Journal. No firm account under the partnership title is to be opened, each partner being represented by an individual stock account. Observe that the merchandise for your own investment should be entered in the sundries column, and checked off, as it is already in your Ledger, and, therefore, is not to be posted. The merchandise contributed by your partner should be entered in the merchandise column in order that it may be posted with the total of that column at the time of closing the books. The pages of all accounts that already appear in the Ledger must be entered in the folio column, as shown in the form.

435. Renewing Notes.—It sometimes becomes necessary in business to renew a note when due in place of paying it. This is done by giving a new note for the old amount. The interest due at maturity should always be paid in renewing the note and never be allowed to become a part of the new note. It is customary in the business office when renewing a note to write the word "renewal" on the face of the note, and especially so if the note has been discounted at a bank, as doing this prevents rediscounting the note.

436. Blank Indorsements.—Notes and other commercial papers once indorsed in blank, will remain payable to bearer. Although they may afterwards be endorsed in full, or otherwise, it will have no effect whatever, excepting that of a blank indorsement, unless all previous blank indorsements are filled out so as to make them full indorsements. The holder of a paper indorsed in blank has a perfect right to fill out the indorsement in full, or otherwise, so long as he does not increase the liability of the indorser by doing so.

437. Interest on Notes.—No entry, whatever, should be made for the interest on interest-bearing notes at the time of receiving them, excepting in a case where a note has been running some time before you received it; and then an entry should be made for the accrued interest only, at the time of receiving the note; that is, for the amount of interest due on the note up to the date of receiving it.

CASH	MDSE	SUNDRIES	L.F.	EXPLANATION	L.F	SUNDRIES	MDSE	CASH
				A copartnership for the purpose of conducting a General Produce and Provision Business has this day been formed between H. B. Burton and J. C. Russell, under the firm name of H. B. Burton & Co. The terms and conditions of said copartnership are specified in the Agreement of Copartnership, which has this day been signed by the said partners, and a copy of which has been delivered to each.				
				H. B. Burton invests the following resources and liabilities:				
6,325 50				Cash, per C. B. p. 16				
		490		Bills Rec. Reg. No. 42				
		110		Bills Rec. Reg. No. 48				
		945 25	21	Lumber, per Inv'ry				
		1,075 75	13	G. J. Wells on acct.				
		65 20		J. P. Jones				
		240		Chattels, per Inv'ry				
				Bills Pay, Reg. No. 64		265		
				Bills Pay. Reg. No. 73		450		
				W. D. Gannon on acct.	51	1,010 40		
				J. J. Sells on acct	12	785 80		
				H. B. Burton's net investment	16	6,740 50		
				J. C. Russell invests the following resources and liabilities:				
5,760 50				Cash				
	2,105 80			Mdse, per Inv'ry				
		309 80		Bills Rec. Reg. No. 54				
				J. C. Russell's net investment		8,176 10		
		100		Expense Cash For rent of store one mo. in advance. Ck. No. 941.				100
		250		Chattels:				
		75		Furniture and Fixtures Cash Bought horse and wagon of H. M. Cutler for use in the business, $250; also furniture and fixtures, as per Inv. No. 185. Ck. No. 942.				325
	380 40			Mdse Bills Payable For Inv. No. 143. Reg. No. 75.		380 40		
165 10				Cash Mdse E. B. Brown & Co.'s Check No. 943.			165 10	
		84 60		C. W. Cadle Bills Payable On acct. Reg. No. 76.		84 60		
12,251 10	2,486 20	3,745 60	87	Fwd	87	17,892 80	165 10	425

CASH		MDSE		SUNDRIES		L.F.	EXPLANATION	L.F.	SUNDRIES		MDSE		CASH	
12,251	10	2,486	20	3,745	60	86	Brt Fwd	86	17,892	80	165	10	425	
				35	50		Bills Payable Cash Gave A. E. Rice, Ck. No. 943, to apply on my 60-day note. Reg. No. 64.						35	50
		1,204	20				Mdse Bills Payable Inv. No. 150. Reg. No. 76.		1,204	20				
720	50						Cash Mdse Sales O. C. Dailey's Ck. No. 426.				720	50		
		350					Mdse James Willis Inv. No. 351. On acct		350					
							March 3, 19							
		210	50				Mdse Arthur Armstrong Gave J. W. Smith dft. No. 33 on Arthur Armstrong at 3 days' sight, for Inv. No. 152.		210	50				
		560					Mdse Bill Payable Inv. No. 153. Reg. No. 77.		560					
				195			Bills Rec. Mdse Rec'd L. M. Spencer's note at 5 days for Mdse as per bill rendered. Reg. No. 49.				195			
				780	40		Bill Rec. Mdse Rec'd S. B. Stone's accept. at 5 days for Mdse as per bill rendered. Reg. No. 50.				780	40		
				50			G. E. Daley Cash For a cash loan Ck. No. 944.						50	
12,971	60	4,810	90	4,806	50				20,217	50	1,861	00	510	50
				4 810	90	74	Dr. Mdse Cr.	74	1,861					
				12,971	60	68	Dr. Cash Cr.	68	510	50				
				22,589	00				22,589	00				

SPECIAL SUGGESTIONS

438. Cash Balance.—See that your cash is in balance each night before leaving school. If the cash is out of balance, do not engage in other business transactions until the difficulty has been adjusted.

439. Merchandise in Stock.—You are expected to keep up your stock of merchandise by making whatever purchases may be necessary, either at wholesale, or from other students, making your own arrangements as to terms, etc.; also take advantage of every opportunity to make profitable sales.

440. Extra Transactions.—The student should improve every opportunity to engage in commercial transactions, and shun no transactions that will increase his knowledge of bookkeeping, even if it does involve a little extra work. Remember that you "learn by doing," and that it is the difficult transactions that give the best training.

441. Chattels.—The term ***chattels,*** as used in business, means property other than real estate, merchandise, store fixtures, etc., and which is used in connection with the business, as teams and drays, or wagons for delivery purposes.

442. Furniture and Fixtures.—This term implies any property used in the store or office for the convenience of the business, as desks, chairs, stoves, counters, etc.

443. Loan.—When instructed to secure a loan of $5,000 from the bank by giving your firm's note, without interest, secured by an indorser, pursue either of the following plans:

1. Write the note in favor of the bank, payable ten days after date, having it indorsed by a student who is willing to secure its payment by indorsement; then deliver it to the bank for discount, having the proceeds placed to the credit of your firm. Also, enter the proceeds of the same in your Banking Ledger, the same as a deposit. The Journal entry would be "Cash and Int. and Dis. to Bills Payable."

2. Find a student who is willing to indorse your firm's note for $5,000. Write a note in his favor for ten days after date; then have the student indorse it in blank, or to your order, then discount it as previously instructed.

444. Notes, Where Payable.—Business men often make their notes payable at a bank where they have money on deposit, instructing the banker to pay them at maturity, and charge the same to their bank account. Notes are frequently written without any specification as to where they are to be paid; in the absence of such specification, the general rule is that they are payable at the place where they are dated.

445. In this business, all notes made payable at the bank are to be paid by the banker, and without receiving a check from the maker of such notes, unless otherwise instructed by your teacher.

446. When the banker pays your note, he will send you a notice to that effect, and will return your note with the paid checks when he balances your Pass Book. Upon receiving notice from the bank that he has paid your note, make the same entry that you would have made, had you paid the note yourself; also make an entry on the credit side of the Banking Ledger, writing the word "Note" in the explanation column, and the number and amount of the note in the proper columns, as in the case of a check.

447. Returned Checks.—It sometimes happens in the course of business that your own check is returned to you without being cashed or deposited at the bank. When this occurs, debit Cash as usual, and then make an entry on the debit side of the Banking Ledger with explanation; thus, "Ck. 48, returned 75.25." See page 11.

SHIPMENTS

448. A Shipment, or Consignment, is a quantity of goods shipped or delivered to a commission merchant, or other person, to be sold on commission.

449. The terms ***shipment*** and ***consignment*** may be used interchangeably in all cases except when we are making shipments and receiving consignments to be sold on commission, in which case *shipment* applies to the goods that we ship, and *consignment* to those we receive.

450. Parties.—The person making the shipment is known in the transaction as the *Shipper* or *Consignor.* The *Consignee* is the commission merchant, agent, or factor to whom the goods are shipped.

451. Commission.—As compensation for his services in disposing of the shipment, the consignee receives a certain percentage of the sum received for the goods. This compensation is called "commission." In addition to his charges for "commission," the consignee, before remitting the proceeds of any consignment, deducts all charges for freight, drayage, cooperage, insurance, etc.

452. Proceeds.—The amount remaining after the charges and commission have been deducted is called the "Net Proceeds," which belongs to the person who made the shipment, being the net amount realized by the consignor for the goods shipped. If this sum is greater than the cost of the goods, the shipment will show a gain; if less, it will show a loss.

453. Reasons for Making Shipments.—Shipments are made for either of two general reasons:

1. The owner of the goods may have little or no opportunity for home trade in the article shipped.

2. By shipping the goods, the owner may make quicker sales and better profits than if he depended upon the home market.

454. Shipment Account.—A separate account is kept with each shipment, in order that you may determine the net gain or loss on any shipment. The shipments are numbered as they are made, the titles of the accounts being, "Shipment No. 1," "Shipment No. 2," etc., followed by the name of the consignee. In making the sales book entry, give the consignee's name and address. For form of entry see sales book entry No. 3, page 57. If a Sales Book is not used, make a journal entry, "Shipment No. 1 (Consignee's name) to Mdse.," followed by the required explanation. In opening the ledger account, give the name and address of the consignee, as in the sales book entry. Read par. 344.

455. The shipment should be charged with the actual cost of the merchandise; that is, the invoice cost, less any discounts that were allowed. The shipment should also be charged with any expenses incurred in connection with it, as drayage, prepaid freight, boxing, etc.

456. Shipping Receipt.—Whenever goods are shipped by railroad or other means of general transportation, it is customary for the shipper to make out a Shipping Order and a Shipping Receipt, the former being signed by the shipper and delivered to the transportation company's agent, and the latter being signed by the company's agent and retained by the shipper, who forwards it by mail to the "consignee," or person to whom the goods are shipped. This Shipping Receipt is also called a Bill of Lading.

457. Both the Shipping Receipt and the Shipping Order contain a description of the articles with number and weight of packages, consignee's address, etc.

458. The Shipping Receipt and the Shipping Order are usually printed on the same page, being bound in tablet or book form, and supplied by the railroad companies to shippers free of charge.

459. Shipping Invoice.—When you are directed to make a shipment, select the merchandise cards and prepare an invoice of them, which invoice is to be sent to the consignee. In preparing a shipping invoice omit prices and amounts, as the consignee has nothing to do with these. Simply give a list of the kind and quantities of the goods shipped.

SHIPPING INVOICE

Cincinnati, O., Nov 30, 19

INVOICE OF MERCHANDISE shipped by S. R. Geary & Co.

and consigned to J. P. Armstrong of Toledo, Ohio

to be sold on commission.

60	bbls. Russet Apples
20	bu. Navy Beans

460. How to Make a Shipment.—In preparing a shipment for school purposes, always enclose the merchandise cards in an envelope or in a neatly prepared package, giving the name and address of the person to whom the goods are shipped, the same as in the following example: "Geo. D. Hunter, Sacramento, Cal. Shipped by John Smith, Oakland." Write a letter, enclosing the shipping invoice of the goods and the shipping receipt. Be sure to copy your letter in the Letter Copying Book.

461. NOTE.—It should be clearly understood that the goods which you *buy* and have shipped to you, also the goods you *sell* and ship to others, are not *shipments* in the meaning of the term as here used.

462. How to Close a Shipment.—When the commission merchant renders an Account Sales and the Net Proceeds of the shipment, make an entry in the following form: "Cash to Shipment No. 1, (Consignee's name). For net proceeds by N. Y. draft." If the Account Sales is rendered without the proceeds, debit the commission merchant and credit Shipment No. 1 (Consignee's name), making the following explanation: "For proceeds of Shipment No. 1, as per Account Sales of June 10." When he remits the proceeds, debit Cash and credit him for the amount. Shipment accounts should stand open until the books are closed, at which time they should be closed to the Loss and Gain account.

463. Outstanding Shipment.—All shipments for which the proceeds have not been received at the time of closing the books, must be regarded as resources. They should be inventoried upon a reasonable estimate of what is expected to be realized on them, taking into consideration the market price (which may be either above or below or at the actual cost price), the condition of the goods, and the probable expenses of commission, freight, etc.

464. Freight, Drayage, and Express.—In shipping goods that have been sold, extra expenses are often involved for labor, drayage, freight, express, casing the goods, etc. These charges are entered on the bill and charged to the customer. The charges for casing and drayage may be made for our own labor, and not for cash paid out. In this case, we credit Merchandise for the charges, which is the common and convenient custom. It is entirely proper to credit Merchandise for charges of this character provided we debit Merchandise when we pay such charges.

465. Some merchants who desire a more detailed exhibit of the expenses connected with their business, open accounts with the different items of expense on merchandise, as freight, drayage, express, etc., instead of charging such expenses directly to the Merchandise account. In this course, whenever freight, drayage, or express is paid, it is charged directly to the "Freight, Drayage, and Express" account instead of being charged to the Merchandise account, as heretofore explained. At the end of the business, the "Freight, Drayage, and Express" account should be closed to the Merchandise account, and *not* to the Loss and Gain account.

466. Some bookkeepers and authors of bookkeeping have claimed that these charges should be charged to the Expense account. Before deciding this matter, let us consider a practical illustration.

467. Suppose a San Francisco merchant should order from New York a case of one hundred straw hats at $5 net, paying the following charges on them: in New York for packing and casing $1, drayage $.50, advance freight $2.50; in San Francisco to the R. R. Co., for back freight charges $1.50, drayage $.50. Under these circumstances, what would be the cost price of your hats, five cents or eleven cents?

Clearly it would be eleven cents.

Now, should your Merchandise account be charged with $5 or with $11?

It should certainly be charged with $11 as that is the actual cost of the goods.

Should you sell the hats for twenty cents each, what have you gained on the invoice, $9 or $15?

You could hardly fail to decide that you have gained $9.

468. Suppose you should afterward sell, for fifty cents, the box that the hats were shipped in, and charge twenty-five cents for delivering it with your own team, should you not debit Cash and credit Merchandise for the seventy-five cents? You would certainly be justified in doing this.

469. As the cost of the box has been charged to the Merchandise account, it would therefore be entirely incorrect to credit Expense for the seventy-five cents.

CONDUCTING BUSINESS BY MEANS OF CORRESPONDENCE

470. General Suggestions.—Throughout the remainder of this course, the student will be frequently directed to transact certain business by means of letters. To learn to do this in a businesslike manner is a very important part of a commercial training.

471. It is not the purpose of these instructions to treat in detail the subject of business correspondence; for information on this subject, the student should consult some good work on letter-writing.

472. It is important that you should write all letters neatly, plainly, and in correct form Every letter and enclosure should be prepared with care.

473. A large portion of modern business is conducted by means of correspondence, and it is vitally important that the student should learn to conduct such business readily and accurately.

474. The letters should be brief, explicit, and businesslike, and all letters received should be answered promptly.

475. In answering any letter, refer to the date and subject matter of the letter you are answering; thus: "Referring to your favor of the sixth, regarding the draft on Mr. Wilson, I wish to inform you," etc.

476. In delivering and receiving your mail, you should conform strictly to the special arrangements of your school.

477. Oral Communication.—Do not, under any circumstances, communicate orally with any one regarding any matter that is to be adjusted by correspondence.

478. With Whom to Correspond.—Unless otherwise directed, do not write business letters to students who have not advanced in the course as far as the Produce and Provision Business.

479. Mail Orders.—In ordering goods by letter, if the order consists of but few items, it may be included in the body of the letter. See accompanying letter. If, however, the order consists of many items, it is advisable to write it upon a separate sheet, and enclose it in the letter. Firms that receive many orders by mail usually supply their customers with special order sheets for this purpose. Ask your teacher what he wishes you to do about enclosing orders.

Cincinnati, O., May 10, 19

Henderson Davis & Co,
1812 Front St.,
Bay City, Mich.

Gentlemen:

Please fill the following order and ship at once.

20 M Star Shingles
30 " 6 in Clear Shingles
25 " No. 1 Sash
20 " Cedar Posts

Draw on us at 10 days' sight for the amount of invoice.

Yours truly,
C. Eldridge.

480. Postage.—College postage stamps should be used on all letters.

481. Enclosures.—Lay all enclosures, as checks, notes, etc., across the upper part of your letter and fold with the letter.

482. Shipping Goods.—In shipping goods to a customer with whom you are dealing by correspondence, prepare the goods for shipment as directed in "How to make a Shipment." Fill out a Shipping Receipt as directed and deliver it with the goods to your freight agent, and have him sign it; then write a letter to your customer, acknowledging the receipt of his order, also the remittance, if any. Enclose in the letter a bill of the goods, also the Shipping Receipt.

483. Filing Letters.—All letters received should be kept on permanent file. With all careful business men, this is an indispensable matter, as the letters may be wanted for reference. There are many devices for filing letters. In the absence of any special filing device, keep the letters in your Permanent File.

484. Filing Papers, etc.—Be particular to file every business paper that comes into your possession.

485. Sale Subject to Draft.—To sell goods subject to a draft means that the goods are sold on account with the understanding that the person selling them has a right to draw a draft on the buyer whenever he desires to do so, regardless of time, unless it is specified in the agreement that the buyer is to have a certain number of days, before the account becomes subject to a draft. In your work hereafter, it is understood that all goods bought or sold on account are sold subject to draft.

486. Collections.—It is customary for business men to make collections outside of their own city by drawing drafts, and leaving them at the bank for collections. It is not advisable to make entries for such drafts, until the collections have been made, as payment is sometimes delayed, and may be refused.

487. On drawing a draft on account, it is advisable to make a lead-pencil memorandum in the Ledger, giving the person on whom you have drawn, credit for the amount of the draft. This will prevent the drawing of a second draft, or the rendering of a statement of account until after a report has been made on the first draft.

488. The amount charged by banks for the collection of notes, drafts, acceptances, etc., depends upon the amount to be collected, the necessary correspondence, etc., and varies from ⅛ to ¼ of one per cent.

489. Collection Account.—A Collection account should be kept with the various amounts paid to banks or to collecting agencies, for the collection of accounts, notes, drafts, and other commercial papers. In case there are but few items of this kind, this account may be dispensed with, and these items charged to the Interest and Discount account. In this course you are to keep a Collection account.

490. Exchanging Mdse.—In mercantile business it is often convenient to exchange one kind of merchandise for another kind. Thus, in a country store, it is common to buy butter, eggs, poultry, and other products, the buyer paying for the same in goods from the store. In these cases, as only the merchandise account is affected, an entry is unnecessary, although if it were thought advisable in any case, a simple memorandum of the transaction might be recorded.

491. Fictitious Payee.—The maker of a check may make the instrument payable to "self" or to "cash," or may use any other term instead of naming the payee; however, all commercial paper made payable to a fictitious payee is payable to bearer; that is, if a check is made payable to cash, it is transferable without indorsement. If no payee is mentioned at all, the instrument is void.

492. Antedate.—To Antedate a paper is to give it a date preceding the date upon which the paper is drawn. Thus, if a note or other paper drawn on June 1 were to be antedated 30 days, it would bear the date May 2. Unless by special agreement, no one but the maker of an obligation has the right to antedate it.

493. Postdate.—To Postdate a paper is to give it a date later than that upon which it is drawn. Thus, if a note or other paper given on June 1 were postdated 30 days, it would bear the date July 1. Circumstances often arise when it is desirable to postdate a commercial paper.

494. For example, a check may be postdated when issued to a traveling agent in payment of a certain article that he has sold, with the understanding that no other sales of the same article are to be made in the same city within a specified time. This gives the purchaser of the goods a chance to stop the payment of the check if the agent violates the contract, as the check, of course, could not be collected previous to the day of its date. Only the drawer of a paper has a right to postdate it.

ACCOMMODATION PAPERS

495. An Accommodation Paper is a note or other negotiable paper that is loaned to a person who wishes to use it in raising money or paying a debt. Papers and indorsements of this character are merely for the accommodation of the borrower, and are not given for a bona fide consideration. They generally consist of notes, drafts, and checks; although bills of exchange and orders may be used. An accommodation paper may consist merely of an acceptance or an indorsement.

496. The person who receives an accommodation paper, or indorsement, and uses it, is expected to pay it at maturity, although if he does not pay it, the person who accommodated him with his signature will have it to pay. The person who received it as an accommodation cannot collect it at maturity, but it may be collected by any person to whom it has been transferred in good faith, and for a valid consideration.

497. Exchange.—Exchange is the charge made by a bank for issuing a draft, or bill of exchange. It may be a small, regular charge (from 10 to 50 cents, according to the amount of the bill), or (especially in the case of a large bill) it may be a certain per cent, usually ⅛% of the face of the bill.

498. If a check is given in payment for a bank draft, or bill of exchange, it should be made out for the face of the bill plus the exchange. If there are many charges for exchange, an account is kept with "Exchange." When there are but few charges for exchange, they may be charged to "Collections," or to "Interest and Discount."

499. In your present work you will keep an Exchange account. For journal entries, see page 88.

500. Bills of Exchange.—A Bill of Exchange is an order for money, issued by a bank upon some other bank in a distant city or country.

501. In effect, a Bill of Exchange is like an ordinary bank draft, but it is sometimes made out in "sets" of two or more.

502. Bills of Exchange are either *Foreign* or *Domestic*, according as they are drawn upon a bank in a foreign country, or upon a bank in the same country in which they are issued. Thus a bill drawn in New York upon a bank in London or Paris, would be a "foreign bill;" but if drawn in New York upon a bank in New Orleans or San Francisco, it would be called a "domestic bill." Domestic bills are also known as "inland bills," but strictly speaking, and especially in a legal sense, bills of exchange drawn in one State and payable in another are foreign bills. Domestic bills are also known as inland bills.

503. The ordinary form of a set of exchange is herewith given. The bills may be drawn payable "at sight" or at a specified number of days after date, or at a given number of days "after sight."

BILL OF EXCHANGE—FIRST

HIBERNIA BANK

Exchange for $1,000 San Francisco, Cal., Jan. 8, 19 No. 185

At sight of this First of Exchange (Second unpaid) pay to the order of

Geo. W. Clinton, One Thousand Dollars,

Value received, and charge to the account of the Hibernia Bank.

To the Union Bank,
Chicago, Ill.

Geo. K. Chatterton, Cashier.

BILL OF EXCHANGE—SECOND

HIBERNIA BANK

Exchange for $1,000 San Francisco, Cal., Jan. 8, 19 No. 185

At sight of this Second of Exchange (First unpaid) pay to the order of

Geo. W. Clinton, One Thousand Dollars,

Value received, and charge to the account of the Hibernia Bank.

To the Union Bank,
Chicago, Ill.

Geo. K. Chatterton, Cashier.

504. Suspense Account.—This is an account used by the wholesale merchant and retailer who has an extensive retail trade by mail, as it sometimes happens that an order is received for goods, or a remittance on account is received from someone who has neglected to sign or inclose his letter. This, of course, makes it impossible for the merchant to fill the order or give the proper credit on account. Under these circumstances, he is obliged to debit Cash and credit Suspense Account, and wait for someone to complain about not receiving his goods, or not having a sufficient credit on account. In this account may be entered all sums received or disbursed until their proper place on the books can be determined.

CERTIFICATE OF DEPOSIT

505. A Certificate of Deposit is a written acknowledgment of a bank that it has received, from the person named in the certificate, a sum of money on deposit, subject to withdrawal only on surrendering the certificate. Some banks, however, issue certificates of deposit, and, as an accommodation, permit the holders to make withdrawals, the same being indorsed on the certificate. The banker makes no charge for a certificate of deposit.

No. 596

Date Dec 10, 19

To J. A. Patterson

$ 325.00

$325.00

Certificate of Deposit

Not Subject to Check

No. 596

MERCHANTS BANK

Cincinnati, Ohio, Dec 10 19

J. A. Patterson has deposited in this Bank

Three Hundred Twenty-five Dollars

Payable to the order of J. A. Patterson

on return of this certificate properly endorsed.

W. E. Miner Cashier

MISCELLANEOUS INVENTORIES

Resource Inventories.—The inventories at the close of this business may include a number of items other than that of merchandise. Among these may be chattels, furniture and fixtures, outstanding shipments, unexpired rent, accrued interest on accounts receiveable, etc. When making out the Balance Sheet all resource inventories must appear in red ink in the resource column; and in closing the books they must be entered on the credit side of their respective accounts as Bal. Invry, in red ink; and after the accounts are ruled the red ink Bal. Invry must be brought down below the ruling on the debit side, in black ink.

506. Interest Inventory on Accounts Receivable.—In order to ascertain the interest inventory on accounts receivable, compute the interest on all interest-bearing papers or accounts from their dates to the date of taking the inventory.

Liability Inventories.—These may consist of unpaid rent, accrued interest, or any debt that has been incurred and for which no entry has been made on the books at the time of taking the inventory. When making out the Balance Sheet all liability inventories must appear in red ink in the liability column of the Balance Sheet, and in closing the books must be entered on the debit side of their respective accounts as Bal. Invry, in red ink; and after the accounts are ruled the red ink Bal. Invry must be brought down below the ruling on the credit side, in black ink.

507. Interest Inventory on Accounts Payable.—To obtain the Interest Inventory on Accounts Payable, compute the interest on all outstanding interest-bearing papers or accounts from their dates to the date of taking the inventory.

508. Discount Inventory.—Discount is a deduction from the face of a commercial paper or an account paid before maturity, or for money advanced either by us or to us before the paper or account is due.

Interest and Discount and Interest Inventory and Discount Inventory are often kept under one account called Int. and Dis.

Opening the Account.—In entering Discount Inventories, discount off resource accounts will have to be entered on the credit side as Bal. Invry, in black ink, because it must stand as an offset or a deduction from the face of the paper or account that gave rise to the discount. Discount off liability accounts will have to be entered on the debit side, as Bal. Invry, in black ink, because it must stand as an offset or deduction from the face of the paper or account that gave rise to the discount.

Closing the Account.—In closing the account the black ink Bal. Invry (if any) standing on the debit side, together with any other discount inventory off liability accounts since the account was opened, will have to be entered on the credit side, as "Bal. Invry," in red ink; and the black ink Bal. Invry (if any) standing on the credit side, together with any other discount inventory off resource accounts since the account was opened will have to be entered on the debit side, as Bal. Invry, in red ink, because, an account has to show that all debts due to it, or from it, are discharged before the account can show either loss or gain and the red ink entries represent that all debts due to it and from it have been discharged. See Closing Nominal Accounts, p. 35, Journalizing Inventories, p. 37.

Illustration of Opening and Closing the Account.—The accompanying illustration shows how the Interest and the Discount inventories are entered in the Int. and Dis. account, both in opening and in closing the account.

INTEREST AND DISCOUNT

19							19					
Nov	1	Bal. Invry	IB	1	18	40	Nov.	1	Bal. Invry	IB	1	8	20
	10		C	4	5	20		12		C	5	12	
	30	*Bal. Invry*			*10*	*40*		22		C	12	9	20
	30	*Loss and Gain*		*12*	*16*	*30*		*30*	*Bal. Invry*			*20*	*90*
					50	30						50	30
19							19					
Dec.	1	Bal. Invry			20	90	Dec.	1	Bal. Invry			10	40

EXPLANATION OF ILLUSTRATION

The black ink Bal. Invry of $18.40, entered on the resource side of the account is the Bal. Invry entered from the Inventory Book (or sheet) at the opening of the account on November 1. And the black ink Bal. Invry of $8.20, entered on the liability side is the Bal. Invry entered from the Inventory Book (or sheet) at the opening of the account, November 1. The black ink Bal. Invry of $18.40 on the debit side and the black ink Bal. Invry of $8.20 on the credit side, then represent the opening of the account.

On the 10th of the month, we paid $5.20 for interest (or for Int. and Dis.) as shown by the posting of $5.20 from the Cash Book, on that date. On the 12th of the month $12 was paid us for interest (or Int. and Dis.) as shown by the posting from the Cash Book, on that date. Again on the 22d, $9.20 was paid to us, for interest (or for Int. and Dis.) as shown by the posting from the Cash Book on that date.

At the time of closing the account, November 30, $2.50 additional interest had accrued on resource accounts, making a total Bal. Invry at that time of ($18.40+$2.50) $20.90. This total it will be noted, is entered on the liability side as Bal. Invry $20.90, in red ink. The red ink entry of $20.90 on the liability side then represents the interest on resource accounts (or the discount off liability accounts or both) as having been paid to us. This will be plain if a Journal entry is made on journal paper of Cash to Int. and Dis. $20.90. From this entry it will be seen that the Int. and Dis. item would post to the credit side of the account.

At the time of closing the account, November 30, $2.20 additional interest had accrued on liability accounts, making a total of ($8.20+$2.20) $10.40. This total, it will be seen, is entered on the resource side as "Bal. Invry $10.40," in red ink. The red ink entry of $10.40 on the resource side represents the interest on liability accounts (or the discount off resource accounts or both) as having been paid by us. This will be made plain if a Journal entry is made on journal paper of Int. and Dis. to Cash, $10.40. From this entry it will be seen that the Int. and Dis. item would post to the debit side of the account. These red ink Bal. Invry entries, then, represent that all interest and discount due us has been paid to us, and that all interest and discount due from us has been paid by us. We are therefore now ready to find the loss or the gain on this account. The difference between the two sides, $16.30, is then closed into the Loss and Gain account, in red ink. The account is ruled, and the red ink resource "Bal. Invry of $20.90," is brought down below the ruling on the resource side, in black ink; and the red ink liability Bal. Invry is brought down below the ruling on the liability side, in black ink. This, then, represents the closing of the account and the bringing down of the balance inventories preparatory to starting out on the new month.

Other Inventories.—From the illustration and the description of how to handle interest and discount inventories it is believed the student will see how to handle the following inventories:

Inventory of unused rent, a resource inventory.

Inventory of unused fire insurance premium, a resource inventory.

Inventory of unused office stationery, a resource inventory.

Inventory of material used and money paid on unfinished contract, less any money received on such contract.

Inventory of merchandise or manufactured goods unsold, resource inventory.

Inventory of taxes paid in advance, a resource inventory.

Inventory of unsold shipment, a resource inventory.

Inventory of interest accrued on overdrafts, due our firm, a resource inventory.

Inventory of salaries, due our firm, a resource inventory.

Inventory of due bills (names of persons giving them), due our firm, a resource inventory.

509. The method of preparing inventories involving such items is shown in the form given on page 60.

510. The Interest and Discount Inventory is the difference between the resource interest inventory and the liability interest inventory, but in making the Balance Sheet, these must be entered separately.

BALANCE SHEET

511. The forms of Balance Sheets or Financial Exhibits illustrated on this and following page are often used instead of the form shown on page 92. The form shown on page 92 is used also to exhibit the standing of a business as shown by the Ledger of a business without closing the Ledger. In event the showing is made without closing the Ledger there would be no inventories to exhibit.

Financial Exhibit or Balance Sheet, of H. B. Burton's Business, July 31, 19____

LF	LEDGER HEADINGS	Trial Balance		Inventories		Resources	Liabilities	Losses	Gains	Balance of Balances	
		Debits	Credits	Resource	Liability					Debits	Credits
12	H. B. Burton, Stock		5000								
13	Mdse Dis.	52	105						53		
13	Office Furniture	363 05		*326 74*		326 74		36 31		326 74	
14	Earl Gray	650	650								
14	Western Furniture Co.		363 05				363 05				363 05
15	Samuel Harris	650	650								
15	Drayage	2			5		5	7			5
16	J. B. Tracy	650	650								
17	Expense	100						100			
18	Freight	32 80						32 80			
19	Main Mills Co.	3500	3500								
20	Mdse	3500	2925	*1250*		1250			675	1250	
21	Herman Peck	650				650				650	
22	H. B. Davis	325				325				325	
CB	Cash	7055	3686 80			3368 20				3368 20	
		17529 85	17529 85	1576 74	5	5919 94	368 05	176 11	728	5919 94	368 05
	H. B. Burton's Net Surplus							*551 89*			
	H. B. Burton, Cr. by Net Invst		5000								5000
	H. B. Burton, Cr. by Surplus Fund		551 89				5000				551 89
	**H.B.Burton's P. W.*	*5551 89*					551 89				
		5551 89	5551 89	1576 74	5	5919 94	5919 94	728 00	728	5919 94	5919 94

***Or this may be set out as Balance Invst, $5,000 plus Surplus, $551.89, in two items. Proof: $5919.94—$368.05=$5551.89**

Financial Exhibit of H. B. Burton's Business, July 31, 19—

Resource Inventories	Losses	Resources	Dr. Side of Ledger	L. F.	LEDGER HEADINGS	Cr. Side of Ledger	Liabilities	Gains	Liability Inventories
				12	H. B. Burton, Stock	5000			
			52	13	Mdse Dis.	105		53	
326 74	36 31	326 74	363 05	13	Office Furniture				
			650	14	Earl Gray	650			
				14	Western Furniture Co.	363 05	363 05		
			650	15	Samuel Harris	650			
	7		2	15	Drayage		5		5
			650	16	J. B. Tracy	650			
	100		100	17	Expense				
	32 80		32 80	18	Freight				
			3500	19	Main Mills Co.	3500			
1250		1250	3500	20	Mdse	2925		675	
		650	650	21	Herman Peck				
		325	325	22	H. B. Davis				
		3368 20	7055	CB	Cash	3686 80			
1576 74	176 11	5919 94	17529 85			17529 85	368 05	728	5
					PROOF				
					Total Resources	5919 94			
					Total Liabilities	368 05			
					Proprietor's P. W.	*5551 89*			
					Total Gain	728			
					Total Loss	176 11			
					Proprietor's Net Gain	551 89			
					Proprietor's Invst	5000			
					Proprietor's P. W.	*5551 89*			

512. The following form shows how unexpired rent or other Expense Inv. would be treated in the Expense account.

EXPENSE

19											19								
Aug.	1		C	3				1	0	0	Aug.	31	*Rent Invry*					*4*	*0*
"	6		J	8					3	0	"	31	*Coal Invry*					*1*	*8*
											"	31	*Loss and Gain L*	*7*				*7*	*2*
								1	3	0							1	3	0
19 Sept.	1	Invry's							5	8									

GENERAL REVIEW

SPECIAL REVIEW QUESTIONS

1. What is a partnership?
2. In the absence of an agreement, how does the law apportion the losses and gains among the partners?
3. How may an agreement of copartnership be annulled?

4. What advantages are gained by the use of a Six-column Journal?

5. What is meant by "Chattels"?
6. What is meant by "Furniture and Fixtures"?
7. State two methods of securing a loan at the bank.
8. State the reason for having notes made payable at the bank.
9. What is a shipment?
10. Distinguish between the terms "Shipment" and "Consignment."
11. Name the parties to a shipment.
12. Describe the business of a commission merchant.
13. What is meant by "Commission"?
14. Define net proceeds.
15. Under what circumstances will a shipment account show a gain? A loss?

16. What two business reasons for making shipments?
17. What charges should be made against a shipment account?
18. What is meant by a shipping order?
19. What is meant by a shipping receipt?
20. State the proper procedure in making a shipment.

21. What disposal should be made of outstanding shipments when the books are closed?
22. Why should freight, drayage, and express charges, etc., be charged to Merchandise?
23. What are the characteristics of a good business letter?

24. How should an inclosure be inserted in a letter?

25. What is meant by selling goods "subject to draft"?
26. What is the purpose of the "Collection account"?
27. What is meant by "Discounting Paper"?
28. What is meant by "Exchange"?
29. What is a bill of exchange?
30. What is meant by a "Set of Exchange"?
31. What is the difference between a foreign and a domestic bill of exchange?

32. What is meant by "Fictitious Payee"?
33. What is meant by antedating a paper?
34. What is meant by postdating a paper?
35. What party to a paper has the right to antedate or postdate it?
36. Define "Accommodation Paper."
37. What is a "Certificate of Deposit"?

QUESTIONS AND ANSWERS

1. What is a time draft?

A Time Draft is any draft that is not payable on presentation.

2. Name two general forms of time drafts?

Those drawn payable after sight and those payable after date.

3. What is an acceptance?

The act of the drawee in *accepting* a draft by writing the word "Accepted" across the face, with the date, and signing his name. The word "Acceptance" also applies to the draft after it has been accepted.

4. When should a draft be presented for acceptance?

As soon as possible after it has been received.

5. Why?

In order to make the drawee responsible for its payment.

6. When is a draft payable that is drawn ten days after sight?

It is payable ten days after its acceptance, if days of grace are not allowed.

7. To what is an acceptance equivalent?

To the drawee's promissory note for the amount of a draft.

8. Under what circumstances is it necessary to have a sight draft accepted?

When days of grace are allowed.

9. When is an acceptance negotiable?

When the draft contains the words "or bearer," "or order," or negotiable words of similar import.

10. Why should commercial papers or indorsements not be written with a lead-pencil?

Because when written in this way they are easily alterable.

11. Is it legally necessary that an acceptance be made in red ink?

It is not. Red ink is used merely to make the acceptance more conspicuous.

12. What is a bank draft? See page 66.

13. What is the purpose of bank drafts?

To facilitate payments of debts without the actual transmission of money.

14. To whom is the maker of an accommodation paper responsible?

To the person who has received it from the payee in good faith and for a valid consideration.

15. Is there any essential difference between bank drafts and bills of exchange?

There is not; the difference is in form only.

16. Why are bills of exchange sometimes drawn in sets of two or three?

For the convenience of the payee, as such method of issue frequently prevents delay, especially in the case of foreign bills. One bill may be sent by one steamer and another by the next, so that in case one is lost or delayed on the way, the other may reach its destination, the payee cashing it, thus saving the delay of having another bill issued which would have to be done, had but a single bill been drawn.

17. Are the amounts named in foreign bills expressed in foreign money or in the money of the country where they are drawn?

The amounts are expressed in the money of the country in which the bill is payable.

EXERCISE IN JOURNALIZING

Give the required entries for the following transactions:

1. Borrowed a sum of money at the bank on my note receiving the face of the same, less discount.

Cash and Int. and Dis. to Bills Payable.

2. Bought 5 Tons of Coal for use in the store, giving our draft on Mason & Co.

Expense to Mason & Co.

3. Sold Miller & Sons a bill of mdse receiving in payment our note with accrued interest, and the remainder in cash.

Bills Payable and Int. and Dis. and Cash to Mdse.

4. Bought of Martin & Co. an invoice of mdse on account, paying cash for the freight and drayage charges on the same.

Mdse to Martin & Co. and Cash.

5. Brown & Co. owe us on account at sixty days; they prepay the account, less a discount.

Cash and Int. and Dis. to Brown & Co

6. The bank has collected our draft on Davis & Wilson and placed the proceeds to our credit, less their charges for collection.

Cash and Collections to Davis & Wilson.

7. Paid our note with interest by giving our sight draft on Jennings & Taylor.

Bills Payable and Int. and Dis. to Jennings & Taylor.

8. R. W. Miller presents for payment our acceptance in favor of Martin & Stone. We pay the same in mdse and cash.

Bills Payable to Mdse and Cash.

9. We owe Thompson & Co. on account at ninety days. We arrange to prepay this account receiving a discount of five per cent. for such prepayment. We pay the account with our draft on Harmon & Stone and our check on the bank.

Thompson & Co. to Int. and Dis., Harmon & Stone, and Cash.

10. We hold J. W. Brown's note for $500 with accrued interest $75. We discount this note, receiving $25 less than the entire amount due.

Cash $550 to Bills Receivable $500, Int. and Dis. $50.

11. Gave C. H. Stevens, real-estate agent, our check in payment for rent of building for one year and insurance on mdse.

Expense to Cash.

12. Gave our clerk, to S. H. Wilson a check for $125, amount due on his salary.

Expense to Cash.

13. S. H. Wilson returns the check referred to in the last transaction to us, we giving him for the same mdse to the amount of $75 from the store and currency $50.

Cash to Mdse $75.

14. Shipped to Martin & Co., commission merchants, a consignment of mdse, prepaying freight and drayage on the same in cash.

Shipment No. 1 to Mdse and Cash.

15. Received a ten-day draft and a New York draft as proceeds of Shipment No. 5.

Bills Receivable and Cash to Shipment No. 5.

THE PURCHASE BOOK

513. The Purchase Book is used for recording all purchases, except for cash, the same as the Sales Book is used for sales. The first entry in the illustrated form is for merchandise bought on account, the second entry is for merchandise bought for a note. All amounts brought forward should be entered in the second column, also total footings of each page. See par. 344, and pages 42, 43.

514. When you buy goods of people whose account is carried in the Customers' Ledger, post direct to the Customers' Ledger account, writing in the Explanation column the number of the invoice and the Purchase Book page to facilitate ready reference for auditing the books. The total amount is entered in the Purchase Book, then posted to the debit of the Merchandise Account in the General Ledger, the Ledger Folio being entered in the Folio column to show that such an amount is posted. The footings of the Purchase Book and Sales Journal may be carried forward to the end of the month, but in your work in school you will post at the end of each week, or if your teacher so instructs you, at the end of every day's business.

19							
			Brought forward			290	50
July	10		W. D. Cooper, Invoice No. 468, 30 days, 2% Cash 10 days	180	20		
			Bills Pay., Reg. No. 42 for Invoice No. 473	360	70	540	90
		74	Mdse Dr.			831	40

CUSTOMERS' LEDGER

515. The Customers' Ledger is sometimes called the "Sales Ledger" or "Retail Sales Ledger." Its use should be confined strictly to the accounts with those persons with whom we sell goods on account, but it is sometimes used for accounts with people with whom we buy and sell. If desirable, the General Ledger may be dispensed with by keeping all the accounts in the Customers' Ledger, although this is not a good idea as it is better to use a General Ledger for all accounts other than personal accounts, and keep the personal accounts in the Customers' Ledger. To introduce a Customers' Ledger into the business, all the Personal Accounts in the General Ledger should be transferred to their respective pages in the Customers' Ledger, the accounts in the General Ledger being balanced and ruled. Sales on account are itemized in the Customers' Ledger for convenience in making out itemized statements, as it would not at all times be convenient to refer to the Order Book, as this book is in constant use by the entry clerks or salesmen.

516. When taking a Trial Balance, the accounts in the Customer's Ledger are to be taken in consideration with those of the General Ledger.

517. The ruling of the Customers' Ledger is identical with that of any common journal or sales book, the first column being used for debits and the second column for credits which may consist of cash payments on account, cash discounts allowed, or anything else in the nature of a credit.

518. Journal Entries, Purchase Book Entries, or entries in any other book of original entry are posted direct to the Customers' Ledger, if they affect accounts carried in the Customers' Ledger.

519. Charges are entered direct in the Customers' Ledger from the bill at the time of making the sale, unless a duplicate bill and charge system is used. In case of the latter the items would be entered in the Customers' Ledger at the convenience of the bookkeeper from the duplicate bill. In your school work you will itemize all sales on account in the Customers' Ledger direct from the bill, using your General Ledger for all other accounts. You should also make all records in the Sales Journal as shown in the accompanying form, the object of which is to have a record of all sales of merchandise on account, the total being posted to the credit of the Merchandise Account at the end of each page.

J. S. CUNNINGHAM

19					*Dr.*	*Cr.*	
Aug.	1		1000 bu. Wheat	@ 95	950		
	2		Cr. By Cash, C. B. 24			50	
	2		20 tons Baled Straw	4 00	80		
			Cr. by 20-10-5 % on above			25	28
	3		Cr. by 30 day note, Reg. 139			500	

520. Sales Journal.—A Sales Journal is generally used in connection with a Customers' Ledger, principally for the convenience it affords in keeping the books in balance. This book, when used, takes the place of the Sales Book, and in use differs from the Sales Book only in that the sales are not itemized. The customer's name and the amount of the sale only are given.

521. If desired, the entries may be made in this book at the time of transferring the charge from the Order Book or charge tickets to the Customers' Ledger, or the Sales Journal may be written up previous to the time of making these transfers, the folio pages of the Customers' Ledger being entered at the time of posting from the Order Book or charge tickets.

522. The credit of Merchandise should be posted from the Sales Journal to the Merchandise account in the General Ledger, the same as from a regular Sales Book.

523. For school purposes you are to use your Sales Book as a Sales Journal, making the entries direct from the invoice at the time of copying it in the Customers' Ledger. See the following form of Sales Journal:

SALES JOURNAL

Thursday, Jan. 10, 19

18	E. P. Collins	25	60
29	W. E. Dungan	175	
45	A. H. Gordon	50	80
89	James Whitmore	125	20
74	Mdse Cr.	376	60

524. Order Book.—This is a counter book made of manila paper, in which it is usual to write with a lead-pencil a memorandum of the various transactions of the day as they occur, and from which the records for the general books are made by the bookkeeper. It is advisable to use not less than two Order Books, as this plan gives the entry clerk an opportunity to transfer the charges to the Customers' Ledger and Sales Journal, the Order Books being used on alternate days. It will not be necessary to use this book in your school work, as all charges on account are made direct from the invoices to the Customers' Ledger and Sales Journal.

525. Charge Tickets.—These tickets are so generally used that it seems unnecessary to give a description of them. After an order has been taken and filled, the "charge ticket" is ready to be entered in the "Customers' Ledger" and "Sales Journal." "Charge tickets" are used only in the absence of an Order Book.

526. Sales Book.—An ordinary Sales Book cannot be used to advantage in connection with a Customers' Ledger, as the copying of the charges from the "Charge Tickets," or Order Book into a Sales Book would be waste of time, as it would be necessary to transfer them immediately from the Sales Book to the Customers' Ledger.

527. Ledger Form.—The following Ledger form may be called a "Journal Ledger," or an "Itemized Ledger," and is very convenient for a retail store. All charges are posted or copied direct to this book from the Counter Order Book or Blotter.

528. In this system, the bookkeeper will have before him all of the items belonging to an account, when making out the bills or statements of the account. Therefore, this work can be done in half the time that it requires when it is necessary to refer from the Ledger to some other book for the items. This form is given merely to illustrate the plan. Students will not use it unless so instructed by the teacher.

JAMES W. MARKHAM

19					19				
Sept.	6	Shoes. 3.50; Hose 50; Calico, 1.00; Pins, 10	5	10	Sept.	6	10 Eggs, 20	2	00
		Hat, 2.50; Sugar, 1.00; Coffee, 1.00	4	50			4 Butter, 25	1	00
	10	Axle, 1.25; Syrup, 1.00; Bacon, 1.50	3	75		10	12 Eggs, 20	2	40
	16	Tea, 50; Germea, 30; R. Oats, 50	1	30			Cash,	5	00

CASH BOOK CONTAINING THE BANK ACCOUNT

529. This form of a Cash Book is convenient and practical when it is desired to keep the bank and cash accounts in one book.

530. Little or no explanation is necessary for the bookkeeper who is conversant with the general principles of a common Cash Book. However, it may be well to state that all sums received, including those amounts that have been withdrawn from the bank to use in the business, must be entered in the cash column on the debit side. See item of $100. The bank debit column on the debit side must contain every sum deposited or otherwise placed to our credit in the way of collections, discount, etc. See item of $900. The bank credit column on the credit side must contain the amount of every check drawn, or sum paid out by the bank for our notes, drafts, etc., that we have made payable at the bank. The cash credit column on the credit side must contain the amounts of all cash paid out, including such discounts as are allowed on bills receivable and other commercial papers. See the second item of $100, which is the discount allowed on the note of $1,000, which is entered in the cash debit column on the debit side.

531. The last three entries on the credit side are for the purpose of closing the Cash Book, and are self-explanatory. They should be written in red ink.

532. Observe closely how the balances are brought down; the cash balance of $6,364.98 includes the currency on hand, $3,534.98, and the balance on deposit, $2,830.

533. It will be observed that the footings of the two cash columns are also equal, and that those of the bank columns are equal. You are not to use the Banking Ledger in this business. The bank account in the Cash Book is the only account to be kept with the bank.

CASH BOOK

Thursday, Nov. 1, 19 — *Thursday, Nov. 1, 19*

Date.	L.F.		Cash Dr.		Bank Dr.		Date.	L.F.		Bank Cr.		Cash Cr.	
May 22	✓	Balance in bank	4 000		4,000		May 22	66	Expense, rent,			100	
" 28		Mdse	1,192					28	Mdse. Inv. No. 26, Ck. No. 91	779			
" 76		Geo. Glenn, on acct	400					29	S. W. North, on acct., Ck. No. 92	500			
" ✓		Deposited			1,492			82	Dis. note No. 22			100	
" 87		H. Stimpson, on acct.	786					28	Mdse. Inv. No. 46			900	
" 41		Bills Pay. Reg. No. 22, at Mer. Bank, dis. 100	1,000		900			41	Bills Pay. Reg. No. 21, Ck. No. 93	765			
" 63		H. S. Gooding on acct.	350					41	G. Stoddard, on acct., Ck. No. 94	571	40		
" 101		H. W. Wood, on acct.	320	75			" 23	49	Chattels, 1 horse and wagon,			259	
" ✓		Withdrawn from bank	100					80	I. O. Chapman, loan, Ck. No. 95	600			
" 23	✓	Deposited			520	75		✓	Bank Cr. Ck. No. 96	100			
" 43		Bills Rec. Reg. No. 96	2,149	75				88	Store and Office Fix.			55	
" 28		Mdse	920	42				28	Mdse. Inv. No. 76, Ck. No. 97	767	35		
" 76		Geo. Glenn, on acct.	200	60			" 24		*Bank Cr.*	*4,082*	*75*	*4,082*	*75*
" 24 87		H. S impson, on acct	95	75					*Balance in Bank* 2,830	*2,830*			
" 101		H. W. Wood on acct.	346	46					*Currency on hand* 3,534.98				
									Balance 6,364.98			*6,364*	*98*
			11,861	73	6,912	75				6,912	75	11,861	73
19 May 24		Balance	6,364	98	2,830								

534. Memorandum of Credit.—When errors occur through shortage, overcharge, or the like, the error is often adjusted by the seller's sending the buyer an acknowledgment, called a "Memorandum of Credit." See next page for illustration.

535. The person who receives a Memorandum of Credit should debit the person who sends it for the amount, crediting whatever account is affected. Thus, if J. W. Jameson & Co. remit you a Memorandum of Credit of $18.55 for 33⅓ gals. Golden Syrup, 56 cents, it indicates that you have been charged with the syrup without having received it, and you should debit J. W. Jameson & Co., and credit Merchandise.

536. The following is a common form of a Memorandum of Credit:

MEMORANDUM OF CREDIT

FROM
J. W. JAMESON & CO.
DEALERS IN
Produce and Provisions
1236 Market Street
GRAND RAPIDS, MICH.

TO
Mr. C. Freeman
Cadillac, Mich.
Oct. 23, 19

		33 1-8 Gals. Golden Syrup 56 cts.				18	55

DISSOLUTION OF PARTNERSHIP

537. The manner in which a partnership may be dissolved depends upon the terms of the agreement under which it was formed.

538. If, as in the present business, the partnership may be dissolved at the will of either partner, a formal notice of such dissolution should be given by the partner who takes the initial step in the dissolution, to the other partner, or partners.

539. It is also usual to send a notice of the dissolution to the business houses with which the firm does business, also to publish in the local newspaper a general public notice over the signatures of the partners announcing the dissolution of the partnership. In some states such published notice is required by law, in order to relieve the parties from future liabilities.

540. *Direction.*—You may now proceed to dissolve the partnership in accordance with the term of your agreement.

541. Notify your partner in writing that you wish to dissolve the partnership. The following is a general form for such notice. Prepare a notice suitable to the requirements of your business and deliver it to your partner.

Henry M. Davis,
241 State St.

CINCINNATI, OHIO, March 10, 19

DEAR SIR.—In accordance with the terms of our copartnership agreement, I desire to give you herewith formal notice that the partnership hitherto existing between us under the firm name of Chas. H. Moore & Co., is hereby dissolved.

Respectfully yours,

CHAS. H. MOORE.

542. *Direction.*—Upon the delivery of the notice of dissolution, you may proceed to effect a settlement with your partner upon the following terms:

543. He is to be paid from the funds of the business a sum equal to one fourth of his original investment, and you are to deliver to him your personal note for an amount equal to one-half of such investment. The remainder is to stand unsettled until such time as the books are closed and a Balance Sheet of the business is made out.

544. In effecting the final settlement, an allowance of ten per cent for bad debts, etc., is to be made on all bills receivable and personal accounts owed to the firm.

545. After delivering to your partner the cash and note as above provided for, and taking a receipt for the same, prepare and deliver to your teacher a circular letter suitable for announcing to the firms with whom you are doing business, the dissolution of your firm; also prepare a general notice for publication. The following forms will serve as a guide in the preparation of such circular letter and notice. Request your partner to sign both the letter and the notice.

546. CIRCULAR LETTER ANNOUNCING DISSOLUTION OF PARTNERSHIP

E. M. Tanner,
Omaha, Neb.

Cincinnati, Ohio, March 10, 19–.

Dear Sir:

We desire, herewith, to apprise you that the partnership heretofore existing between Chas. H. Moore and Henry M. Davis, under the firm name of Chas. H. Moore & Co., has been this day dissolved by mutual consent. Mr. Moore will continue the business under his own name, and will assume all the firm's liabilities, also the collection of all debts owed to the firm.

Very respectfully yours,

Chas. H. Moore,
Henry M. Davis.

PUBLISHED NOTICE OF DISSOLUTION

Cincinnati, Ohio, March 10, 19–.

547. Notice of Dissolution.—The public is hereby notified that the partnership hitherto existing between Chas. H. Moore and Henry M. Davis, under the firm name of Chas. H. Moore & Co., has been this day dissolved by mutual consent.

Chas. H. Moore hereby assumes responsibility for the payment of all debts owed by said firm, and all debts owed to the firm are by these presents declared to be payable to him only.

Chas. H. Moore,
Henry M. Davis.

548. *Direction.*—If the required circular letter and notice for publication have been approved by your teacher, prepare a Balance Sheet in accordance with the requirements of the accompanying form, after which settle with your partner by giving him a check for the balance due him, then return to the Business Directions.

549. Balance Sheet.—The following Balance Sheet exhibits a convenient form when it is desired to allow a discount off bills receivable and the personal accounts due the business for bad debts and collections. The allowances made for this purpose are treated as inventories, and are entered in the Interest and Discount account in red ink, with the following explanation: "10% on B. Rec." "10% on Per. accts." After the Interest and Discount account has been closed, these inventories are brought down in black ink, on the credit side of the account. The amounts of these discounts are not to be entered in any of the personal accounts or in the Bills Receivable account.

550. Balances of Personal Accounts.—When there are many personal accounts, it will be found more convenient, and will also effect a considerable saving of labor, to list the personal accounts separately, recording the balance of each account instead of the footings. See the accompanying form.

551. This list is not entered on the Balance Sheet, but the totals of the debits and credits are entered on the Trial Balance, and the sum of the debit balances is entered among the resources, and the sum of the credit balances is entered among the liabilities.

552. If there is an allowance for bad debts, etc., as in the present business, the amount is deducted from the debit balances as shown in the Balance Sheet on page 116.

NET BALANCES OF PERSONAL ACCOUNTS, OCT. 31, 19

E. Higgins					737	18
M. Hendricks	2	299	30			
Fred Haines				1	267	90
J. D. Day	2	636	40			
W. McCann	5	620	73			
C. B. Lynch					323	80
Net amount of personal accounts Dr. and Cr	10	556	43	2	328	88

BALANCE SHEET OF CLARK, MAY & CO.'S BUSINESS, OCT. 31, 19

	NET AMOUNT OF PERSONAL ACCOUNTS DR. AND CR.	10	556	43	2	328	88
1	Wm. Clark, Stock				8	125	60
2	" " Private	1	273	95			
5	Geo. A. May, Stock				15	000	
6	" " " Private		796	87		923	38
9	W. S. Wood, Stock				7	590	66
83	Cash, per C. B.	198	496	17	192	386	84
11	Rent (Inv'ry $100)	2	000				
12	Mdse (Inv'ry $23,156.65)	128	738	43	128	793	61
20	Expense (Inv'ry $450)	2	300				
22	Int. and Dis. (Inv'ry $18.50)		327	30		393	60
24	Bills Receivable	17	580	50	8	500	50
26	Bills Payable	13	060		20	560	
28	Furniture and Fixtures (Inv'ry $1,250)	1	800				
30	Gas Deposit		30				
31	U. P. R. R. Stock (Inv'ry $1,300)	1	200			72	
32	Salary	4	690				
35	Chattels (Inv'ry $750)		960	75			
37	Exchange		123	80			
39	Advertising (Inv'ry $120)	1	865	23	1	124	36
		385	799	43	385	799	43
	RESOURCES						
C. B.	Personal accounts Dr., $10,556.43, Dis. at 10%, $1,055.64	9	500	79			
83	Cash, per C. B.	6	109	33			
11	Rent. Inv'ry		100				
12	Mdse. Inv'ry	23	156	65			
20	Expense. Inv'ry		450				
22	Int. and Dis. Inv'ry		18	50			
24	Bills Receivable, $9,080, Dis. at 10 %, $908	8	172				
28	Furniture and Fixtures. Inv'ry	1	250				
30	Gas Deposit		30				
31	U. P. R. R. Stock	1	300				
32	Chattels. Inv'ry		750				
39	Advertising. Inv'ry		120		50	957	27
	LIABILITIES						
	Personal Accounts Cr	2	328	88			
26	Bills Payable	7	500		9	828	88
	Firm's present worth, night of Oct. 31, 19				*41*	*128*	*39*
	GAINS						
12	Mdse	23	211	83			
31	U. P. R. R. Stock		172		23	383	83
	LOSSES						
	Int. and Dis.	1	878	84			
11	Rent	1	900				
20	Expense	1	850				
28	Furniture and Fixtures		550				
32	Salary	4	690				
35	Chattels		210	75			
37	Exchange		123	80			
39	Advertising		620	87	11	824	26
	Firm's net gain, night of Oct. 31, 19				*11*	*559*	*57*
	WM. CLARK, PARTNER						
1	Cr. by net stock account	8	125	60			
	Cr. by net gain	2	889	89			
2	Dr. for net private account	1	273	95			
	Net present worth, night of Oct. 31, 19				*9*	*741*	*54*
	GEO. A. MAY, PARTNER						
5	Cr. by net stock account	15	000				
6	Cr. by net private account		126	51			
	Cr. by net gain	5	779	79			
	Net present worth, night of Oct. 31, 19				*20*	*906*	*30*
	W. S. WOOD, PARTNER						
9	Cr. by net stock account	7	590	66			
	Cr. by net gain	2	889	89			
	Net present worth, night of Oct. 31, 19				*10*	*480*	*55*
	Firm's present worth, night of Oct. 31, 19				*41*	*128*	*39*

GENERAL REVIEW

SPECIAL REVIEW QUESTIONS

1. What is the purpose of the Purchase Book?

2. How does the Customers' Ledger differ from the ordinary Ledger?

3. What is the object in keeping a Customers' Ledger?

4. What is the order-book, and for what is it used?

5. What is meant by Charge Tickets?

6. Would a Sales Book be used in connection with a Customers' Ledger? Why?

7. How does a Sales Journal differ from a Sales Book?

8. How may a bank account be kept in the Cash Book?

9. What is a Memorandum of Credit?

10. Under what circumstances is it used?

11. When a Memorandum of Credit is received, what entry should be made?

12. Upon the dissolution of a partnership, what notices should be prepared?

QUESTIONS AND ANSWERS

1. If you are using the Cash Book, Journal, and Customers' Ledger, and buy merchandise for cash, in which of these books would you make the entry?

In the Cash Book on the credit side.

2. If you buy merchandise on account?

In the Journal.

3. If you sell merchandise for cash?

In the Cash Book, debit side.

4. When merchandise is sold on account?

In the Customers' Ledger.

5. If you make a shipment and prepay the freight?

In the Journal and Cash Book.

6. In what books are the entries made when we buy merchandise of John Smith, paying a portion of the amount in cash, and crediting the balance to his account?

In the Journal and Cash Book.

7. What entry should be made in the Journal?

Merchandise to John Smith for the full amount of the bill.

8. What entry should be made in the Cash Book?

Credit John Smith for the amount received.

9. What other entry is sometimes made for transactions like the above?

The journal entry of Merchandise to John Smith for the portion of the bill remaining unpaid, and a credit entry in the Cash Book for the amount paid on the bill.

10. Which of the above entries is preferable?

The first one, in which John Smith is credited in the Journal for the amount of the bill.

11. If you sell merchandise to John Smith, receiving part payment in cash and the balance on account, in what books should the entry be made?

In the Customers' Ledger and Cash Book.

12. What entry should be made in the Customers' Ledger?

Smith should be charged for the full amount of the sale on account.

13. In the Cash Book?

Smith should be credited for the amount of the payment.

14. If John Smith pays cash for his note $100 and interest $10, in what book would the entry be made?

On the debit side of the Cash Book, Bills Receivable, and Interest and Discount, each being credited with the respective amounts.

15. What advantage is gained by entering notes, drafts, etc., separately in the opening entry?

We are enabled to tell what commercial papers we were holding on commencing business.

16. What is the advantage in making payment by means of checks?

It is a safeguard against mistakes, and the check, when returned, serves as a receipt for payment.

17. What is the difference between a draft at three days' sight and a draft at three days after date?

The draft at three days' sight is not due until three days after acceptance; the draft at three days after date is due three days after it was issued, unless days of grace are allowed.

18. Under what circumstances should we make an entry for interest on a note at the time of receiving the note?

When there is accrued interest on the note at the time it is received.

19. What is meant by "transferring your bank account" when a partner is taken into the business?

It means that the balance on deposit in your name is to be transferred to the credit of the new firm.

20. How should this be done?

You should draw a check for this balance in favor of the new firm, which check is then deposited as in the case of any other check.

21. In closing the books, what is meant by allowing a discount on the personal accounts and bills receivable for bad debts and collection?

It means that a certain percentage has been allowed on all bills receivable and personal accounts due the firm, for the purpose of reducing these to a cash basis.

553. Nine-column Journal.—In this business a Nine-column Journal will probably provide columns to classify the Speculative accounts sufficiently to reduce the entries and the postings to a minimum. The illustrative entries in the accompanying form will show how a Columnar Journal may be used. The learner can use his Six-column Journal for this purpose by drawing a column on both sides, and an extra column on the left of the explanation column. The number of columns is purposely left open that the teacher may increase or decrease the number as his judgment may dictate. See par. 400, 433, 620.

554. It is not at all necessary to have the same number of columns on each side of the explanation column. (In fact, the explanation column of a Columnar Journal may be at the extreme left or the extreme right, the debit and the credit columns of related accounts appearing side by side, or all the debits together and all the credits together. In such case the date column precedes or follows the explanation column. However, the form shown is the usual form.) Columns for Int. and Dis. or for any other item that may appear frequently, may be drawn on each side. The number and the position of the columns in a Columnar Journal as to debit or credit are matters that are to be determined by the nature of the business and the judgment of the bookkeeper. The object is to provide Cash columns and to classify the items of the Speculative (Business) accounts that enter into the business so as to have the fewest possible entries and the fewest possible postings and the fullest information of the Business accounts.

In providing columns for a Columnar Journal, the learner should not attempt to provide a column for an account that appears frequently in one month and then very infrequently or not at all in other months; but an important point that he should bear in mind is that stress should be laid on columns for the Business accounts and not for Financial accounts except Cash. He should remember that it should be his aim, as far as practical, to bring out the Business accounts in a Columnar Journal, because business men get their "success-bearings" daily from a comparison of the totals of the debits and the credits of the Business accounts. Students should be able to tell daily what their per cent of gain is, and the relative gain-producing or loss-producing power of the several Business accounts. If for any special reason, a column may be provided for a Financial account other than Cash. See classification of accounts under par. 242.

555. The headings of the columns explain the use of the columns.

556. Opening Entry.—Write your opening entry on journal paper, and after it is approved by your teacher, copy it in your Columnar Journal.

557. Note that the Cash Bal. on hand is set in the Cash column on the debit side and the same amount is set in the Sundries column on the credit side, and the "Bal. on hand" item checked (✓) in the folio column to indicate that it is not to be posted. The amount is set in the credit side to make the columns balance. The totals of the debit and of the credit columns in a Columnar Journal are always in balance, if the entries are correctly made.

558. Entries and How Made.—The entries are made in all Columnar Journals in practically the same way. The name of the account to be debited is entered in the left-hand side of the explanation column, and the amount is set in the column under its corresponding heading on the left. The name of the account to be credited is entered in the right-hand side of the explanation column and the amount is set in the column under its corresponding heading on the right.

If a column is not named for an account the amount is entered in the sundries column.

559. Note that at the end of the month the total footings of the several columns on the debit side are brought into the Sundries column on the left, and the total footings of the several columns on the credit side are brought into the Sundries column on the right. Then the totals on each side are added and double ruled. The names of the several accounts are written in the center of the explanation column.

560. Posting.—Only the items in the Sundries column need be posted daily. The totals of the other columns are posted at the end of the month. The totals on the left are posted to the debit of their respective accounts, and the totals on the right to the credit of their respective accounts. Cash need not be posted, as the cash columns in the Columnar Journal take the place of the Cash Book.

561. It would be well in your schoolwork to total the columns, daily, in pencil, to see that the total amount of the debit columns equals the total amount of the credit columns.

For further discussion of columnar work, see the Sixteen-column Journal.

NINE COLUMN JOURNAL

MDSE DISCOUNT	CASH	MDSE	EXPENSE	SUNDRIES		L F	EXPLANATION	L F	SUNDRIES		MDSE	CASH	MDSE DISCOUNT
							Aug. 1, 19						
	7 75						Cash Bal. on hand	✓	7 75				
			50				Expense, Rent Cash					50	
			2 50				Expense—Cleaning Windows—Cash					2 50	
		261 90					Mdse Inv. 21 Jessup & Co.		261 90				
							Aug. 2, 19						
				10			A. E. Scott, on % Cash					10	
				261	90		Jessup & Co. Cash					209 52	
							Mdse Dis.						52 38
		118 40					Mdse Inv. 22 Smith & Co.		118 40				
							Aug. 3, 19						
				120			S. Knight Mdse				120		
				100			I. Crane Mdse				100		
							Aug. 4, 19						
				78			I. H. Wills Mdse				78		
		280					Mdse Inv. 23 L. M. Munn		280				
			5 20				Expense, Repairs on Wagon Cash					5 20	
				118	40		Smith & Co. Cash					113 21	
							Mdse Dis.						5 19
							Aug. 5, 19						
	1 14						Cash S. Knight		120				
6							Mdse Dis.						
	95						Cash I. Crane		100				
5							Mdse Dis.						
							Aug. 6, 19						
				280			L. M. Munn Cash					266	
							Mdse Dis.						14
11	984	660 30	57 70	968	30				1655 30		298	6564 3	71 57
				57	70		Dr. Expense Cr.						
				660	30		Dr. Mdse Cr.		298				
				984			Dr. Cash Cr.		6564 3				
				11			Dr. Mdse Dis. Cr.		71 57				
				2681	30				2681 30				
							Aug. 7, 19						
	327 57						Cash Bal. on hand	✓	327 57				

HANDLING C. O. D. ORDERS

562. Retail or Local C. O. D. Orders.—(C. O. D. means Collect on Delivery.) When called on to handle retail or local C. O. D. orders, open a C. O. D. account, if there are only a few such orders, and debit this account and credit merchandise when the goods go out. If there are many such orders, then a set of C. O. D. books, consisting of a C. O. D. Sales Book and a C. O. D. Register, is used. The C. O. D. Sales Order is made out in duplicate, and after the order is recorded in the Register the original Sales Order is sent to the shipping room for goods to be wrapped. Carbon copy is kept in C. O. D. Sales Book as permanent record. After the goods are wrapped, the order is attached to the package and given to the driver who enters the order in his Delivery Receipt Book. When the bill is paid or the goods returned the driver reports and the C. O. D. Register is stamped with the date when paid or when the goods are returned.

Some houses use the pad of C. O. D. Delivery Tickets. Duplicates are made out and both the original and the carbon tickets are sent to the shipping clerk, who keeps the original and wraps the carbon with the package to be handed to the driver, who enters the order in his Delivery Receipt Book.

563. Wholesale or C. O. D. Freight Orders.—If required to ship goods C. O. D. by freight, make out duplicate invoice in the usual way, and either mail the original to the customer or attach it to Bill of Lading. Then have the Bill of Lading, showing the number of boxes or bales, etc., made out in the name of your own firm. Then draw a draft on the customer for the amount of the invoice less any discount. Then write on the Bill of Lading the following or similar indorsement: "Upon payment of the attached draft, please indorse the within Bill of Lading over to.....of your city.

JOHN DOE & CO.,

Per....."

To exemplify: Suppose the firm of John Doe & Co. wishes to ship C. O. D. to John Smith. John Smith, having been apprised of the amount of the invoice and the name of the bank in his town by letter, goes to the bank, pays the invoice, and the banker delivers the indorsed Bill of Lading to John Smith, and John Smith goes to the freight office, pays the freight charges and gets his goods.

Some firms put a blank indorsement on the Bill of Lading; others indorse the Bill of Lading to the customer and send it to the banker, while still others request the bank to indorse the Bill of Lading to the customer on payment of the invoice.

564. Shipping Goods C. O. D. by Express.—If required to ship goods C. O. D. by express, make out the duplicate invoice in the usual way, except if the transportation charges are prepaid these charges will have to be added to the invoice.

Then deliver the goods to the express company and ask for a C. O. D. envelope wrapper. Fill in the money blank on the C. O. D. envelope with the amount of the invoice plus any charges for collecting and returning the money, giving the total to be collected. Also fill in the return blank with your firm's name and address, very legibly, so as to insure its safe and speedy return to your firm.

The express company will transport the goods, and the company's agent at the point of destination will make the collection, deliver the goods to the customer, and return the amount to your firm by the next mail.

It is well to remember that, if the package is worth more than $50 it is better to mark its full value; otherwise in case of loss your firm could collect only $50. If the full value is placed on the package the full amount can be collected in case of loss.

There is an additional charge for assuming the greater risk in transporting the more valuable package, but it is prudent to pay the small additional charge in order that your firm may be able to collect the full value in case of loss.

565. Bank Account on the Check Stub.—Hereafter the Banking Ledger will not be used, the bank account being kept on the stubs of the Check Book. This method of keeping the bank account is followed in many business houses, and the student should become familiar with it.

The accompanying form of checks and stubs will sufficiently illustrate the method.

No. of Check 146
Date Jan. 10. 19
To W. C. Kemp
For Inv. No. 42.

Bal. brought forward	4280	50
Am't. Deposited	845	20
Total in Bank	5125	70
Am't of this Check	150	
Balance in Bank	4975	70

No. 146 Cincinnati, Ohio, Jan. 10, 19

THE MERCHANTS BANK

PAY TO W. C. Kemp or order, or bearer, $150.00

One Hundred Fifty DOLLARS
In College Currency

H. B. Burton

No. of Check 147
Date 19
To
For

Bal. brought forward	4975	70
Am't Deposited		
Total in Bank		
Am't of this Check		
Balance in Bank		

No. 19

THE MERCHANTS BANK

PAY TO or bearer, $

DOLLARS
In College Currency

RETAIL HARDWARE BUSINESS

In this business the books are to be kept by the method known as "Single Entry."

566. Single Entry Bookkeeping.—In this method of Bookkeeping we debit all persons when we sell them goods on account, when we pay them on account, or when they become indebted to us in any manner, but we do not make any corresponding credit entries. In like manner, we credit all persons when we buy of them on account, or when they pay us on account, without making corresponding debits.

567. If we are able to determine at any time what other people owe us on account, and what we owe others on account, we have accomplished all that is intended by single entry.

568. Strict single entry, however, is seldom employed, as it is usually desirable to keep a Cash Book, or an account with Cash, or with Expense, and sometimes, with Merchandise. But these accounts are kept merely as memoranda, and as a matter of satisfaction to the proprietor of the business. They have no essential relation to the business, and are not considered in making up a balance sheet on closing the books..

569. Day Book.—The day book as used in double entry, has a limited use in business at present, compared with former years. When it is used, it should contain a comprehensive statement of the various business transactions, and these statements, or records, should be made at the time that the transactions take place.

570. The Day Book preserves a record of the transactions until such a time as it may be convenient to transfer them to the Journal. When the Day Book is used, there is no explanation made in the Journal following the journal entries; but the Journal should contain the page of the Day Book, and the Day Book, the page of the Journal, although a check (✓) only is sometimes used in the Day Book to denote that the transactions have been transferred to the Journal. The pages are also transferred in a like manner when items are transferred from the Day Book to the Cash Book.

A Single Entry Journal entry contains the name of the account to be debited or credited. If to be debited "Dr." or "To" is written to the left of the folio column or left-hand money column, and the amount is set in the right-hand money column. If to be credited "Cr." or "By" is written to the left of the folio column or the left-hand money column, and the amount is set in the right hand money column.

SINGLE ENTRY DAY BOOK

CINCINNATI, O., JAN. 1, 19

		I, H. B. Burton, have this day leased the store at No. 236 Madison Street, for the purpose of conducting a General Hardware Business, with the following resources and liabilities:					
	✓	Cash	Dr.			4900	
	✓	Bills Rec. W. H. Warner's note at 60 days due today, with int. after maturity, at 1% a month	Dr.			1500	
	✓	Mdse per Inv'ry	Dr.			7800	
	✓	Expense per Inv'ry	"			700	30
		Cunningham, Curtis & Welch	"			70	10
	✓	Bills Payable. Demand Note, fav. Filer Thorne & Co., without interest	Cr.			940	
		J. S. Gannon	"			1125	50
		Osborn & Alexander	"			840	
		H. B. Burton, Stock	"			12064	90
2		Cunningham, Curtis & Welch Stationery for office, Inv. No. 1	Cr.			15	
3		Hall Safe & Lock Co. Safe for office use	Cr.			300	
4	✓	Bought of Osborn & Alexander, Mdse per Inv. No. 2, $380.75, and gave my note in payment at 30 days, without interest					
5		G. W. Fuller 640 Mission St. 3 doz. table-knives, # 1846	Dr. 5.50			16	50
6		Crocker Bros., 340 Bush St. 1½ doz. Daisy Scythes, ¼ " Sheep-Shears, # 1242 ½ " Clipper Scythes,	Dr. 10.30, less ¼ 12.00 less ⅛ 8.50 net	11 2 4	59 25	17	84
10		G. W. Fuller 640 Mission St. 10 lb Glue ½ doz. H. D. S. P. Shovels At 30 days, less 10 % for cash	Dr. .18 9.50	1 4	80 75	6	55
11	✓	Sold to J. D. Marshall 1500 lb Barbed Wire 2 doz. Silver Spoons, # 873 2 " Knives and Forks # 262 3 " Teaspoons, # 9644 Mr. Marshall indorsed the amount of this sale on my note of the 4th inst. in favor of Osborn & Alexander, for $380.75	 .03 7.50 2.50 4.00	 45 15 5 12 77			

The Day Book used in single entry, like the double entry Journal, is used as a book of original entry and agrees with it in form. The first column is used for itemizing, and all amounts to be posted are recorded in the second column, the debits and credits being respectively indicated by the abbreviations, "Dr." and "Cr." or "To" and "By."

571. The accompanying Day Book form illustrates the proper manner of keeping this book.

572. Order Book.—The Order Book, Counter Book, or Sales Book, as it is variously called, is an important book in many businesses using single entry. This is a small, cheap book, with flexible cover. It is used on the counter, or carried by salesmen, to take orders from customers. Several such books are usually kept that the bookkeeper may post from one, while the others are in use. As orders are put up for delivery, they are checked off in the margin of the book. In event the Order Books are used as Sales Book, the Day Book is used to record transactions other than Sales, and no Journal is used. Carbon is often used and a copy given to the customer.

573. Opening the Books.—The opening entry is made in the Day Book.

If there are resources and liabilities, the opening entry could be made as in double entry, but such items as are not to be posted to the Ledger must be "checked off," by means of a check mark (✓)

The opening entry in the accompanying form illustrates the proper method of opening your books where there are resources and liabilities. The preliminary announcement, or opening statement, of the business is ommited, but the student is expected to write one in preparing his spring entry.

Observe that the items not to be posted to the Ledger are checked off.

574. *Direction*—You may prepare your opening entry on journal paper and present it to your teacher for inspection, then write it in your journal, which will be used in this business as a Day Book.

575. Cash Book.—While in single entry proper, no account is kept of the receipts and expenditures of cash, most business men, even though their books were kept by single entry, would probably prefer to keep a Cash Account.

576. The Cash Book may be kept as in double entry, but those who employ single entry generally use but one page of the Cash Book at a time, recording the cash received in the first column and the cash paid out in the second column.

577. The following form illustrates the usual method of keeping the single entry Cash Book. The abbreviations "Dr." and "Cr." appearing after the items to be posted, are inserted for convenience in posting, and may be omitted if desired.

SINGLE ENTRY CASH BOOK

				DR.		CR	
19							
Jan.	1	✓	Cash	4900			
		✓	Paid one month's rent			50	
	6		Paid Hall Safe & Lock Co., on acct			75	
			Received Cash of G. W. Fuller on acct	5			
	8	✓	Cash Sale to A. B. Coon	57	08		
	9		Paid J. S. Gannon on acct			500	
	10		Received of Crocker Bros. on acct	10			
	11		Paid Hall Safe & Lock Co. on acct			50	
	20	✓	Cash Sales	954	25		
		✓	Paid Cash for Mdse, Inv. No. 3			500	
	22		Paid Osborn & Alexander on acct			500	
	23		Received of G. W. Fuller on acct	19	80		
	24		Withdrew for personal use	5946	13	75	
		✓	Paid for Typewriter			75	
	26	✓	Paid Osborn & Alexander balance of my note, less $3 discount			300	75
	27		Paid Osborn & Alexander on acct			364	
						2489	75
			Balance			*3456*	*38*
				5946	*13*	*5946*	*13*
Feb.	1	✓		3456	38		

578. Single Entry Ledger.—In form, the single entry Ledger is ruled the same as a Day Book or Journal, the first money column being used for debits and the second money column for the credits. If desired, the personal account may be itemized as in the "Customer's Ledger." See page 111. However, the form of Ledger ordinarily used in double entry is frequently used in single entry.

Unlike the double entry Ledger, the single entry Ledger is never in balance.

In the Hardware Business you are to use the same Ledger you have hitherto used.

579. Other Books and Accounts.—In single entry as in double entry, any auxiliary book may be used that would facilitate the work of the bookkeeper, or give any required exhibit of any portion of the business. Thus a Bill Book or Sales Book might be kept if desired. In fact, there is no definite line of difference between single and double entry; the one may merge gradually into the other. The more general accounts that are kept, the nearer the method will approach to full double entry.

CLOSING SINGLE ENTRY BOOKS

580. The first step in closing a set of books in single entry is to prepare a statement of the face of the Ledger. This is made out on journal paper and in the same manner as an ordinary Trial Balance. But it will, of course, not be in balance.

581. Balance Sheet.—The single entry Balance Sheet consists of a statement of the face of the Ledger, together with an itemized list of all resources, including the cash on hand and in bank, inventories of all property on hand, a list of the personal accounts and other debts owed to the firm. This is followed by an itemized list of the liabilities, including all personal accounts or other debts owed by the firm.

582. The present worth of the business is found by deducting the total sum of the liabilities from the total sum of the resources, and this result compared with the investment gives the net loss or gain. This is, in fact, the only method of ascertaining the net loss or gain by single entry, as not all the loss and gain accounts are kept.

You may now prepare a Balance Sheet in accordance with the form on the next page.

583. If there should be a gain, an entry should be made in the Day Book, crediting the proprietor with the net gain as follows:

H. B. Burton.....Cr. $1,921.77
For Net Gain on closing Feb. 1, 19

SINGLE ENTRY BALANCE SHEET

OF H. B. BURTON'S BUSINESS, MARCH 1, 19

FACE OF LEDGER				
H. B. Burton, Stock			13040	47
Hall Safe & Lock Co.	200		300	
J. S. Gannon	701	75	1125	50
G. W. Fuller	48	50	42	
Expense	1074	09	65	
B. B. Kerrigan	113	25	260	90
Cash -	5290		377	50
	7427	59	15211	37
RESOURCES				
G. W. Fuller	6	50		
Cash -	4912	50		
Mdse Inv'ry	8746	25		
Expense "	925		14590	25
LIABILITIES				
Hall Safe & Lock Co.	100			
G. S. Gannon -	423	75		
B. B. Kerrigan	147	65		
Bills Payable	990		1661	40
H. B. Burton's Present Worth			*12928*	*85*
H. B. BURTON, PROPRIETOR				
Net Investment, Feb. 1, 19	13040	47		
Present Worth, March 1, "	12928	85		
Dr. for net loss			111	62
CLOSING ENTRIES				
Mdse per Inv'ry Dr.	8746	25		
Expense " " "	925			
H. B. Burton, Stock, "	111	62		
Bills payable Cr.			990	
Entry necessary to change the books to double entry on this date, March 1, 19				

TRIAL BALANCE

March 1, 19

H. B. Burton, Stock			12928	85
Hall Safe & Lock Co.	200		300	
J. S. Gannon -	701	75	1125	50
G. W. Fuller	48	50	42	
Expense	925			
B. B. Kerrigan	113	25	260	90
Mdse -	8746	25		
Bills Payable			990	
Cash	4912	50		
	15647	25	15647	25

Proof of Single Entry Posting.—The sum of the debits and the credits in the Day Book must equal the sum of the debits and the credits in the Ledger. If there are old balances in the Ledger, add the old balances to the footing of the debits and the credits of the Day Book.

Proofsheet.—Rule a sheet of paper like a Four-column Journal. Set the debit balances of Ledger accounts in the outside left-hand column and the total debit of each Ledger account in the next column, writing the names of the Ledger accounts in the explanation column. Set the total credit of each Ledger account in the first right-hand column and the credit balance of each Ledger account in the outside right-hand column. Foot, and compare items of balances with Ledger accounts showing balances, and total footing of debit and credit Ledger accounts with total footing of debits and credits of the Day Book (or books of original entry), plus old balances when there are old balanees on the Ledger.

If the accounts that are in balance are omitted from the Proofsheet, the total of the several amounts that balanced the accounts will have to be deducted from the footing of books of original entry. To keep track of the amounts, open a Balanced Account, and when an account is balanced, **rule it up,** and carry the amount that was necessary to balance it to the Balanced Acconnt.

584. If there should be a net loss, debit the proprietor for it, by making a day book entry, in the following form:

H. B. Burton.....Dr. $380
For net Loss on closing
the books Feb. 1, 19

585. The closing entry should be posted to the proprietor's account in the Ledger.

586. The Cash Book should be closed.

587. Close the Merchandise account, as in double entry, and bring down the inventory only when it is desired to continue the use of the account. The loss or gain shown by this account is not to be transferred to Loss and Gain, or to any other account; neither can it be used in any other way in ascertaining the net loss or gain of the business. The Merchandise account might also be closed by a day book entry as follows:

Merchandise.....Dr. $1,650
Entry necessary to close this account
Dec. 31, 19

588. Close expense and all other loss and gain accounts, if you have such, according to the method employed in closing the Merchandise account. The closing of these accounts is a matter of convenience rather than of necessity, as they are not taken into consideration when the books are closed. If the books are to be changed to double entry, the closing of these accounts would of course be imperative.

589. Changing a Set of Books from Single to Double Entry.—The books should be closed at the time of making this change. Make a journal entry in the Day Book, debiting or crediting the proprietor with the net loss or gain; also enter in it all resources and liabilities appearing in the Balance Sheet which are not already in the Ledger; such as Merchandise inventory, Cash, Bills Receivable, Bills Payable, Shipments, etc., according to the following day book entry, which is never in balance:

Cash, per C. B. 97	$1,382	
Mdse Inventory	9,460	
Bills Receivable, notes 40, 41, and 42	794	
Furniture and Fixtures, Inventory	590	
Bills Payable, notes 63 and 64		$ 584
Proprietor's Stock, for net gain		1,340

Entries necessary for changing the books from single to double entry on this date, Feb. 28, 19

590. A Trial Balance should be taken immediately after posting the journal entry for changing the books, to test the corrections of the work.

591. Changing a Set of Books from Double to Single Entry.—This change may be effected by simply ruling up and discontinuing the use of all accounts that are not to be kept; but a more systematic and businesslike method of making this change is the following: Post, take a Trial Balance, make out a Balance Sheet, and close the books as heretofore in double entry, except that no inventory is to be brought down, unless it be decided to keep the account to which it belongs. By closing according to this method, all the loss and gain accounts, Bills Payable, Bills Receivable, etc., are eliminated, leaving nothing but the personal accounts and such other accounts as you desire to keep. This completes the change, leaving the books as though they had been previously kept by single entry.

Liquidation.—(*a*) Any solvent business may be liquidated in the following manner: (1) Collect all accounts receivable and Bills Receivable. (2) Pay all accounts payable and Bills Payable. (3) If a single proprietor, draw a check in his favor for the balance as shown by the Cash Book. (4) If a partnership or corporation, draw checks for such parts of the balance as shown by the Cash Book, as their several interests require. (5) Post. The two sides of the Cash Book will be in balance, and all Ledger accounts will be in balance, if no mistake has been made. In your schoolwork, any suspense or suspended account will be closed into Loss and Gain.

In merging an old business with a new business, if desired to liquidate the accounts of the old business as they become due (or may be collected), it is convenient to liquidate them through a Liquidation account.

(*b*) If the business is insolvent, you would better ask your teacher for procedure. He may require you to send 10 cents to the Superintendent of Documents, c/o the Government Printing Office, at Washington, D. C., for a copy of the United States Bankruptcy Law.

The following Trial Balances are taken by totals. They are generally taken by differences. The student is to follow the teacher's preference. The Continued Trial Balance Book is made with one short leaf in order that the names need be written but once for the twelve months.

CONTINUED TRIAL BALANCE, 19____

L F	LEDGER ACCOUNTS	JANUARY				FEBRUARY				MARCH				APRIL			
		Dr.		Cr.		Dr.		Cr.		Dr.		Cr.		Dr.		Cr.	
1	H. B. Burton, Stock			5000				7033	10	273	95	8125	60	430	45	9780	15
2	Cash	9670	50	6380	40	4779	10	1681	30	8100	90	5288	80	9840	33	6344	81
3	Expense	100				375				480	50			480	50		
4	Mdse	6460		7560	40	6275	50	8200	50	8266	20	9180	90	8642	38	9979	44
5	B. F. Stone	1150	40			1520	50	1125	60	2161	80	2890	90	1944	82	358	65
6	H. Murphy	264		945	50	945	50	560	50	1580	25	2185	35	1974	34	42	49
7	F. B. Clark	2062	30	235	80	1125	75	1325	75	2960	60	1888	50	2004	14	181	40
8	J. F. Wyman	1520	90	2469	65	295	80	395	80	2224	70	1985	78	2874	80	2292	40
9	D. M. Ellis	1379	75	1749	50	2500		2800		2934	80	3272	40	5152	76	3023	50
10	W. D. Campbell	1966	80	233	40	2100		580		1517	90	2234	80	1648	35	2342	80
11	W. D. Grimes					3785	40			4067	40	6844	29				
12	James Turney									2780	32			4334	60	2780	32
12	Bills Receivable									6548				3488		4560	
13	Suspense															100	
14	R. A. Grant															1029	51
		24574	65	24574	65	23702	55	23702	55	43897	32	43897	32	42815	47	42815	47

GENERAL REVIEW

SPECIAL REVIEW QUESTIONS

1. What accounts are kept in strict single entry bookkeeping?
2. What other accounts are frequently kept?
3. In opening the books by single entry, what items are checked off in the opening entry?
4. What is the purpose of the Day Book?

5. How does the single entry Cash Book differ from the double entry Cash Book?
6. In what respects does the single entry Ledger differ from the double entry Ledger?

7. In closing a set of single entry books, how is the present worth found?
8. How is the loss or gain found?

9. What should be done in order to change a set of books from single to double entry?
10. How may a set of books be changed from double to single entry?

QUESTIONS AND ANSWERS

1. What is the general difference between single and double entry bookkeeping?

In single entry, personal accounts alone are kept, and there is, therefore, no record of the losses or gains or of the transactions affecting property alone.

2. If accounts are kept with Merchandise, Expense, or other loss or gain accounts in single entry, are they taken into consideration when the books are closed?

They are not.

3. What is the object in keeping such accounts?

They are kept simply as a matter of satisfaction to the proprietor; they are merely memorandum accounts.

4. How are such accounts disposed of when the books are closed?

They are simply ruled up, their balances not being considered in any way.

5. Why is single entry so called?

Because but one amount is recorded in each entry.

6. What is the general object sought in single entry bookkeeping?

To keep a record of the amounts owed to the business on personal accounts, also a record of the amounts owed by the business to other persons.

7. What entries should be made in the Day Book?

Those that are intended to be posted to the Ledger. Also such memoranda of transactions as may be desirable.

8. Should the opening entry in single entry differ materially from that of double entry?

It should not, as both should show all the resources and liabilities of the business.

9. What is meant by a "statement showing the face of the Ledger"?

A statement showing the debit and credit footings of each ledger account.

10. Should a bank account be kept in single entry?

It should, as it is necessary in any business to be able at any time to find the bank balance.

11. Is a Cash Book usually kept in single entry?

It is.

12. What entries are made in this book?

All cash received and all cash paid out.

13. What entries are posted from the single entry Cash Book to the Ledger?

Those that affect personal accounts and such other accounts as we may be keeping.

14. Can the Banking Ledger, Sales Book, Invoice Book, etc., be used to advantage in single entry?

They may under some circumstances; it will depend upon the nature of the business.

15. Is the single entry Ledger ever in balance?

It is not.

16. What information are we able to get from a Ledger in single entry bookkeeping?

That pertaining to personal accounts only unless other accounts are kept.

17. What are the only books necessary in single entry?

A Day Book or Blotter and Ledger.

18. What necessary preparation should be made in closing single entry books?

Make out a statement showing the face of the Ledger, the same as a trial balance in double entry.

19. What use would then be made of this statement?

From it we select all personal accounts that show a resource and all that show a liability, to which we add all inventories and outside resources and liabilities that belong to the business.

20. If the business shows a net gain, where should the gain be entered?

Simply credit the proprietor for it by a day book entry.

21. If the business shows a loss, what entry should be made?

Debit the proprietor in the same manner as you would credit him in case of a gain.

22. What real object is there in closing the loss and gain accounts in single entry?

There is no object except that of dispensing with them.

23. When merchandise is sold for cash, in what book should the entry be made?

In the Cash Book only.

24. In case we are keeping a Merchandise account, what special arrangement may be made for cash sales?

A merchandise column might be kept in the Cash Book.

25. In the absence of a merchandise column, what should be done?

It would be necessary to post the merchandise items separately.

26. Suppose we have loss and gain or other accounts in our opening entry that we do not wish to keep in the Ledger, such as Merchandise, Chattels, Bills Receivable, Interest and Discount, etc., how should they be treated?

They should be checked off in the opening entry, thus showing that they are not to be posted.

27. Why are the terms "Dr." and "Cr." used in connection with each transaction that is recorded in the Day Book?

They are used to show whether the amount is to be debited or credited when the amount is posted to the Ledger.

28. If you sell merchandise to J. M. Snow on account, what entry?

Day book or sales book entry, debiting him for the amount of the sale.

29. If you buy merchandise for your note, what entry?

No entry is required except a simple memorandum of the transactions.

30. If you buy merchandise for cash, what entry?

It should be entered in the Cash Book and checked off, unless a Merchandise account is kept.

31. If you buy merchandise for your acceptance, what entry?

A simple memorandum in the Day Book without arranging amounts to be posted.

32. If you buy merchandise of John Smith and give in payment a draft on James Black, what entry?

Credit James Black only, unless a Merchandise account is kept, in which case separate entries should be made for the merchandise.

33. If you sell merchandise to John Smith for his note, what entry?

Enter it in the Bill Book and simply make a memorandum without arranging amounts in the Day Book to be posted, unless you are keeping an account with Bills Receivable.

34. If you sell merchandise to John Smith for his sight draft on James White, what entry?

Cash book entry only, unless days of grace are allowed.

35. If you pay your rent, $75, in merchandise, what entry?

No entry whatever, unless you are keeping Merchandise and Expense accounts.

COMMISSION BUSINESS

592. The general purpose of a Commission Business is to buy and sell goods for others. For definitions of the terms Consignment, Consignor, Consignee, Commission, and Commission Merchant, see par. 448 to 459 inclusive.

593. General Observations.—Commission merchants are often, to a certain extent, jobbers, as they buy and fill orders for their customers. Frequently they carry a stock of goods of their own, but in some states they are forbidden, by law, to carry in stock the same kind of goods that they sell on commission.

As a rule, it is not good policy for a commission merchant to deal, on his own account, in the same class of goods that he sells for others on commission, as he may neglect making sales for his customers in order to dispose of his own goods.

Yet a commission merchant may find it advisable to carry a stock of goods, for the reason that his commission business may not be sufficiently extensive to enable him to depend upon its profits alone. He may also find it necessary to keep in stock certain classes of goods to fill the orders of his customers.

594. Rate of Commission.—The rate per cent. of commission, charged by commission merchants for buying or selling goods for others, varies with the kind of goods, the locality, and other circumstances. It usually varies from 2½ % to 8%. It is generally higher on perishable products, as vegetables, green fruits, etc., than on salted meats, grains, potatoes, etc.

595. Consignment Accounts.—Separate accounts, called Consignment accounts, are kept with each consignment received. These are kept in the same manner as personal accounts, being debited with all charges and the amount of the net proceeds when paid, and credited with the amount of the sales. The consignment accounts are numbered in the order in which the consignments are received. It should be borne in mind that a separate account must be kept with each consignment, even though a number of consignments may be received from the same person, or firm.

The object of keeping separate accounts with each consignment is to facilitate the making out of the various account sales.

596. Equated Date.—Goods belonging to a consignment are frequently sold on time, unless the consignee has been otherwise advised by the consignor. When time is allowed on the sale of goods belonging to a consignment, the proceeds are not usually considered due until the expiration of the various credit sales. In cases where it is desired to settle for consignments of this character before the credits are actually due, the sales are equated, and the average date is found, upon which a settlement is effected, either by note, draft, acceptance, or cash.

597. Ledger Headings.—In the Commission Sales Ledger, the name and address of each consignor should be given in connection with each ledger heading as follows: Con. No. 1, Samuel Watson, Boston, Mass.; Con. No. 2, Charles T. Benton, Chicago, Ill., etc. See "Commission Sales Ledger," page 131. The word "Sales" is sometimes used instead of the word "Consignment." These consignment numbers are used by the consignee to represent the goods while in his possession. As the property is not his, he must have some mark or title to distinguish one consignment from another, and from his own goods, if he has such. Each article, sack, or package, belonging to a consignment, is numbered as soon as it is received, agreeing in this respect with the consignment number used in the ledger heading. In this manner, he is able readily to distinguish one consignment from another; it also saves time, as a number can be written much quicker than a name.

598. Open Consignments.—All open consignments on the commission merchant's books at the end of the year, must be considered either as resources or liabilities. (The estimate must be made on the face of each consignment account only and without reference to any inventory that may belong to it.)

The commission merchant handles goods on account and at the risk of the consignor only. If he makes favorable sales the amount realized minus the charges belongs to the consignor. If the goods must be sold at a loss, or if the goods become a total loss, the consignor is the sufferer. The only amount lost by the commission merchant being his commission which always depends on the amount realized from sales.

Occasionally an arrangement is entered into by two or more parties, one of whom is a commission merchant and who lives in the city and furnishes the capital, attends to the selling and keeps the other partners informed as to the state of the market, prices, etc. The duties of the other partner or partners are very similar to those of purchasing agent. He travels in the country and does the buying, being guided in this by the reports from his partner in the city. He ships to the city the products bought and the gains on the sales are shared according to agreement. Though this is usually called Joint Account it is really a special partnership.

CHARGES

The Commission Merchant's charges on the different consignments are usually as follows:

599. Freight.—Freight is an amount paid to a railroad company, etc., for the transportation of goods.

600. Drayage.—Drayage is a charge for the delivery of goods from the depot or dock to the place of business. It may be charged for work of this kind done by the Commission Merchant's own teams.

601. Insurance.—It is customary for a Commission Merchant to carry a sufficient amount of insurance to cover all goods that he has, or is likely to have, in his store. When this is the case, he charges the cost of the insurance policy to an account opened in the Ledger with "Insurance." He then charges each consignment a certain percentage for insurance, according to the amount of goods and the time they remain on hand. In some cases, the charge for insurance is the cost of extra insurance taken out on goods stored for better prices or for the purpose of carrying them over to another season.

602. Storage.—Storage is a warehouse charge made for storage of goods while they remain unsold.

603. Advertising.—Advertising may be for a certain per cent of the regular advertising of the business, the same as the charges made for insurance, or it may be for special advertising necessary on perishable goods, in order to hasten the disposal of them.

604. Cooperage.—This is a charge for the cost of making or repairing such barrels, boxes, etc., as may be required for the repacking or proper handling of the goods sold.

605. Discount for Advance Payments.—This is a charge that the Commission Merchant frequently makes for drafts accepted or paid, or money remitted before the consignment has been sold, or for remittances made before the various sales on time are due.

606. Exchange.—Exchange is a charge made for the amount paid a bank for bank drafts, bills of exchange, etc., remitted as proceeds of the consignment, or it may be for any cost necessary in making collections and remittances connected with a consignment.

607. Accepting Drafts.—Sometimes the consignor draws on the consignee when the consignment of goods is not entirely sold. These drafts are usually accepted and charged to the respective consignments. In this business, accept only such drafts as are drawn on you through the bank, and in accepting them make it a rule to postdate them two or three days, thus giving you ample time to sell the goods and meet such acceptances at maturity.

608. Cash Book Charges.—Debit each Consignment in the Cash Book at the time of receiving it, for the freight and drayage. See second entry in Cash Book, credit side. If necessary, use more than one line for this entry. Number each Shipping Invoice to correspond with the consignment number, but continue to number the invoices of your own goods consecutively.

609. Miscellaneous Charges.—For miscellaneous charges affecting consignments, see "Freight, Drayage, and Express," par. 464.

610. Student's Charges.—In the Commission Business for this course, make the following charges on each consignment, computing the same on the total amount of sales:

Commission, $2\frac{1}{2}$ %; insurance, $\frac{1}{4}$ %; storage, $\frac{1}{6}$ %; advertising $\frac{1}{6}$ %; and cooperage, $\frac{1}{10}$ %.

Use the following form of journal entry for these charges:

Con. No. 1		7.97
Commission $2\frac{1}{2}$	6.25	
Insurance $\frac{1}{4}$	.63	
Storage $\frac{1}{6}$	.42	
Advertising $\frac{1}{6}$	.42	
Cooperage $\frac{1}{10}$	.25	

611. Posting.—In posting, disregard the sum of these charges, $7.97, and post the separate charges to the debit side of the Commission Sales Ledger, as the above entry is posted in the form under par. 614.

CASH BOOK

19						19					
Apr.	1	Balance		7614	18	Apr.	1	Expense, Rent 1 mo.	90		
		Con. No. 1	20				2	Con. No. 1, F't 28.48, Dray 2.85	31	33	
	2	Con. No. 1	60					Mdse., F't 43.38, Dray 3.62	47		
		Mdse. Sales	40					Ins., Hartford Ins. Co.	8	50	
								Adv., G. P. Rowell & Co.	6	25	
								Con. No. 1, Net Proceeds	210	70	

612. Commission Sales Book.—For a business in which all merchandise is bought or sold on commission, the ordinary Sales Book may be used, and in the same manner as usual, except that an ordinary journal entry should be made for each sale on account, the account affected by the sale being debited and the consignment to which the goods belong being credited. But as most commission merchants sell goods of their own, the Sales Book may be ruled with four columns instead of two. In using a book of this kind for the first time, it is necessary to exercise great care to avoid mistakes. Post the items in Sundries column to the debit of the respective accounts in the General Ledger. Post the items in the Consignment Sales column to the credit of the respective consignments in the Consignment Sales Ledger. The Merchandise Sales may be posted as an aggregate sum to the credit of merchandise account in the General Ledger. Use your regular Sales Book, ruling an extra column for extensions, and an extra column for sundries. The following form of this book will give the student a general idea of its use. It should be used as a book of original entry, the amounts being posted as above directed.

COMMISSION SALES BOOK

Cincinnati, O., March 1, 191

			Extension		Sundries Dr.		Consignment Sales Cr.		Mdse Sales Cr.	
1. Sold our Mdse on account; no discount allowed.		A. G. Homer			43	70				
		To Mdse								
		10 brl Flour @ 4 10	41	00						
		3 brl Salt " 90	2	70					43	70
2. Mdse belonging to Consignment No. 1 sold on account. No discount.		W. D. Palmer			32	50				
		To Con. No. 1								
		10 bx Oranges @ 2 00	20	00						
		50 bu. Potatoes " 25	12	50			32	50		
3. Merchandise belonging to Consignment No. 2 sold for Bills Receivable less 3% discount.		Bills Receivable			135	80				
		To Con. No. 2								
		200 lb D. Prunes @ 10	20	00						
		120 bu. N. Beans " 1 00	120	00						
		Less 3%	4	20			135	80		
4. Sale on account of our Mdse less 5%, and Mdse of Consignment No. 2 without discount.		W. H. Simpson			168	40				
		To Mdse								
		5 brl Flour @ 4 20	21	00						
		10 brl Pork " 12 50	125	00						
		Less 5%	7	30					138	70
		To Con. No. 2								
		3 cs. Eggs, 90 Doz. @ 12	10	80						
		180 lb D. Prunes " 10½	18	90			29	70		
5. Sale on account of our Mdse and Mdse of Consignment No. 3; no discount.		G. P. Conway			121	60				
		To Con. No. 3								
		10 brl Apples @ 1 50	15	00						
		180 lb D. Prunes " 12	21	60			36	60		
		To Mdse								
		150 bu. Potatoes @ 25	37	50						
		50 " N. Beans " 95	47	50					85	00
6. Mdse of Consignment No. 4, less 10%, and our Mdse, less 5%, sold on account.		C. W. Cadle			83	70				
		To Con. No. 4								
		40 bu. N. Beans @ 90	36	00						
		Less 10%	3	60			32	40		
		To Mdse								
		60 bu. N. Beans @ 90	54	00						
		Less 5%	2	70					51	30
7. Sale on account of Mdse belonging to Consignments Nos. 4 and 5, less 5% discount on each consignment.		A. H. Manning			58	71				
		To Con. No. 4								
		2 cs. Eggs, 60 Doz. @ 14	8	40						
		10 brl Apples " 1 50	15	00						
		Less 5%	1	17			22	23		
		To Con. No. 5								
		100 bu. Potatoes @ 23	23	00						
		140 lb D. Prunes " 11	15	40						
		Less 5%	1	92			36	48		
8. Shipment of our own Mdse to J. E. Dungan, Troy, N. Y.		Shipment No. 3—J. E. Dungan, Troy, N. Y.			40	00				
		To Mdse								
		200 bu. Potatoes @ 20							40	00
		Mdse Cr.							358	70

613. Receiving Book.—This book may, or may not be used in this business. A common Journal will answer the purpose. When a consignment is received, a short memorandum is made in the Receiving Book, giving a brief description of the goods, consignor's name and address, the amount paid for freight, drayage, etc. See the accompanying form:

19				
April	2	G. W. Ranger, Con. No. 1		
		Anderson, O.		
		10 Cases Eggs, 180 doz		
		Freight	1	50
		Drayage		30

614. Commission Sales Ledger.—The use of this book is a matter of convenience and not of necessity. An account should be opened in this book with each consignment. All charges, drafts, accepted or paid, remittances in the way of proceeds, etc., are posted to the debit side, and all sales to the credit side. It is sometimes desirable to remit the proceeds due on a consignment before all the goods are sold. In this case compute your charges on the amount of sales then made, regardless of the unsold goods, and make no account whatever of the inventory belonging to such a consignment until it is sold. If you are using the following form of Commission Sales Ledger, it will be necessary to open a new account with such a consignment after it has been closed and the proceeds remitted.

If it is desirable at any time to transfer the proceeds from the Commission Sales Ledger to the credit of the consignor in the General Ledger, it can be done by making a journal entry, debiting the consignment and crediting the consignor. In taking a Trial Balance, the Commission Sales Ledger must be considered as a part of the General Ledger; that is, all open consignments in the Commission Sales Ledger must appear in the Trial Balance, the same as open accounts in the General Ledger. See the following form of Commission Sales Ledger:

Consignment No. 1, from *Samuel Watson, Boston, Mass.*

Date		L. F.	Charges			Explanations.	Date		L. F.	Sales	
19							19				
April	2		Freight	28	48		April	3		20	
			Drayage	2	85			4		60	
	15		Commission	6	25			5		170	
			Storage		42						
			Insurance		63						
			Advertising		42						
			Cooperage		25						
			Adv. Payments								
			Dis. for Adv. Pay'ts								
			Exch. on Proceeds								
			Net Proceeds	210	70						
				250						250	

615. Account Sales.—An Account Sales is an account rendered by the commission merchant to the shipper of the goods, showing the amount obtained for the consignment and the net proceeds after deducting the charges for freight, commission, drayage, etc. See the following forms:

As soon as all of the goods belonging to a consignment are sold, an Account Sales should be made out, showing the debits and credits connected with the consignment. It should then be sent to the consignor, and it may or may not be accompanied by the net proceeds. The object of the Account Sales is to give the consignor a list of the various charges, the rate of commission, the amount of sales, etc. Sometimes when a consignment meets with slow sale, the consignor will request an Account Sales for information regarding the consignment, or he may request an Account Sales for the purpose of determining for what amount he would be justified in drawing on the consignee, if he found it necessary to do so.

UNION COMMISSION CO., COMMISSION MERCHANTS

CINCINNATI, OHIO

Account Sales of Merchandise Received Apr. 6, 19—

From Samuel Watson, Boston, Mass., *to be sold on commission.*

Gentlemen:

Find enclosed our check *for* $210.70 *as net proceeds of your consignment of* Apr. 2, 19—

Trusting that our disposal of this consignment will meet with your approval and secure your future patronage, we remain,

Yours truly,
Union Commission Co.,
per G.

Charges			Sales	
Freight	28	48	250	
Drayage	2	85		
Commission	6	25		
Storage		42		
Insurance		63		
Advertising		42		
Cooperage		25	39	30
Adv. Payments				
Dis. for Adv. Pay'ts				
Exc. on Proceeds				
Net Proceeds			210	70

The following form of Account Sales is preferred by many commission houses on account of brevity.

H. P. McDONNELL — ALL CONSIGNMENTS SHOULD BE ACCOMPANIED BY AN INVOICE. — J. J. McDONNELL

Detroit, Mich., Dec. 19, 19

BUTTER and EGGS,
POULTRY,
..GAME,..
FRUITS, Etc.

McDONNELL BROS.
COMMISSION

REFERENCE: PENINSULAR SAVINGS BANK.

135 W. Washington Street.

Sold for account of L. R. Ellison,

Received Dec. 14, 19— Hubbardston.,

Lot No. 420 *Consignment* M

1 coop fowls 120-40-80 7c			5	60
CHARGES — FREIGHT & CTG.		97		
CHARGES — EXPRESS				
CHARGES — COMMISSION		28	1	25
NET PROCEEDS			4	35
CHECK TO BALANCE				
E. & O. E.				

Dear Sir: Enclosed find check to cover above proceeds which we trust will be satisfactory.

Yours truly,
McDonnell Bros.

GENERAL MERCHANDISE BUSINESS

616. This is a partnership business in which you are to secure two or more partners, allowing each of them a salary, including yourself. The amount of salary to be paid each partner is to be settled by mutual agreement.

617. You are to invest your present worth, the firm is to assume the payment of your liabilities, and you are to guarantee the payment of all your present outstanding personal accounts and bills receivable.

618. Books Used.—The book of original entry is the Sixteen-column Journal. Other books may be used if the teacher prefers.

619. Opening Entry.—Familiarize yourself with the use of the Sixteen-column Journal, then arrange your opening entry in it, and submit it for inspection, after which continue with the work as outlined in the Business Instructions, using the "Safeguard Check System" as explained in Part II.

SIXTEEN-COLUMN JOURNAL

620. In this business a Special Column Journal is to be used, having sixteen columns. It is not essential that there should be just this number of columns, as the number may be more or less than sixteen, according to the demands of the business.

621. The book here introduced provides a method of testing and transferring footings, which is a recent feature of accounting and saves much time and labor.

622. In order to become familiar with the use and construction of this book, read carefully the following explanations, referring whenever necessary to the form on pages 134-139.

623. Column Headings.—A number of column headings are printed in the Sixteen-column Journal form to show how the columns of a Columnar Journal may be used. But providing columns on the principle stated in paragraph 554, "that it should be the aim as far as practical to bring out the Business accounts," it is suggested that beginning with the left-hand column on the left-hand page of the Sixteen-column Journal, the student write at the top of the columns in order: "Salary," "Freight," "Advertising," "Branch House," "Mdse Dis.," "Returns and Rebates," "Expense," "Mdse," "Sundries," "Cash" (if any of such accounts are not already printed there). Beginning at the right of the explanation column, write in order: "Cash," "Sundries," "Mdse," "Returns and Rebates," "Mdse Dis.," "Branch House." Enter the amount for each account in its column. If an account should have no column provided for it, enter the amount in the Sundries Column. See par. 558.

Posting.—Post the items in the Sundries column as directed in par. 560. For posting and post-marking footings or totals of the several columns, see par. 628.

624. Number Column.—The vertical columns containing numbers, are to aid the bookkeeper to find readily the proper place to enter the amounts. Thus the credit for W. S. Hull, of $127.50, is on line 16, and its place is easily found by locating this line in the column reserved for his account.

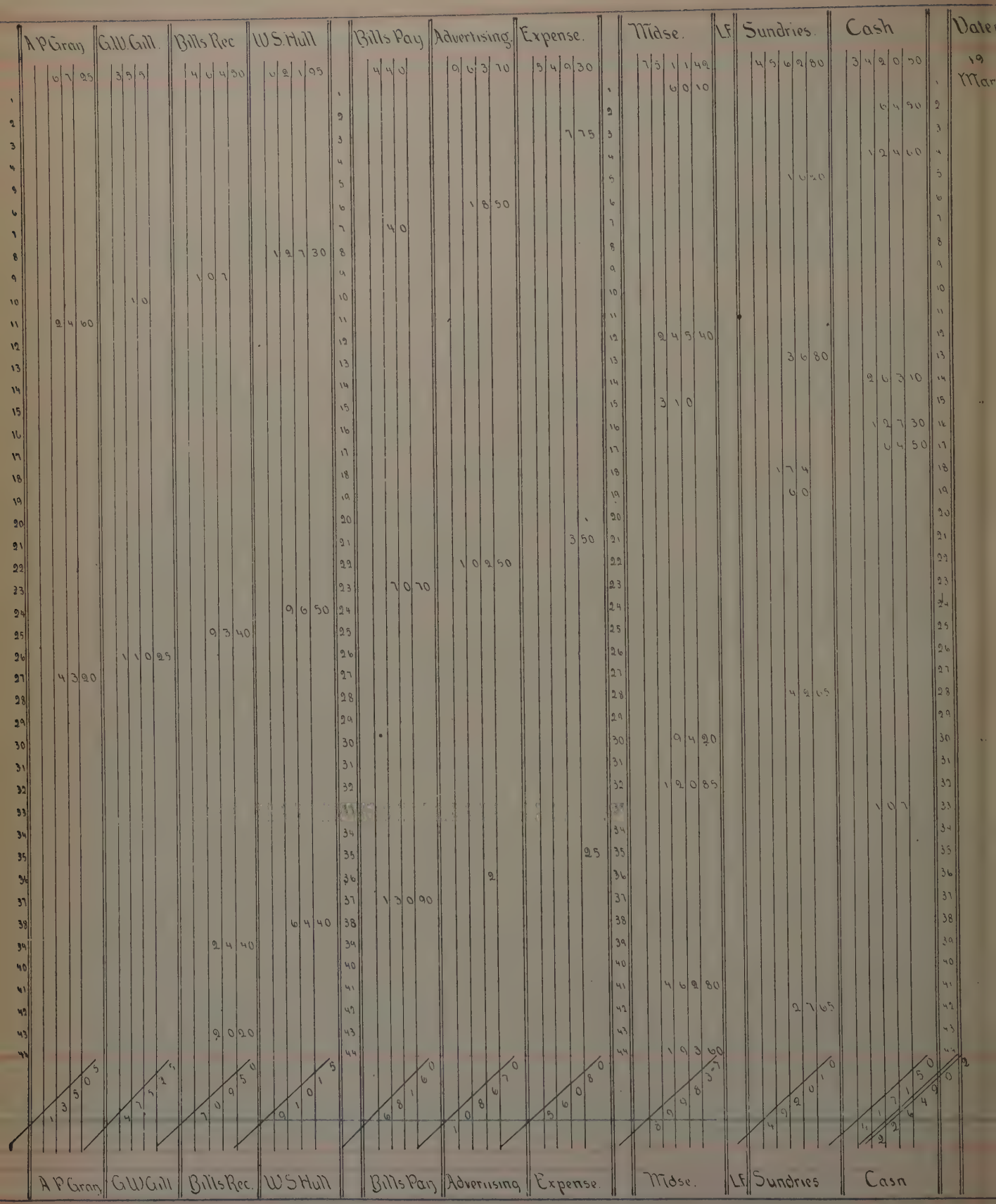
625. Testing Footings.—It will be noticed that the footings of the several columns are entered diagonally. This admits of their being added horizontally. The totals of the footings of the respective pages should of course agree, thus affording a trial balance of the book. See the total footings in the form.

626. Transfer of Footings.—It will be observed that after the first leaf, the leaves of the book are alternately shortened at the top and bottom. This device enables the accountant to effect a transfer of footings without rewriting them. When the second leaf is turned, the footings of the first debit page are visible, owing to the shortening of the second leaf at the bottom. When the second debit page is filled, the columns are added from bottom to top, the footings of the first debit page being included, and the totals being recorded at the top of the page. When the third leaf is turned, the totals of the second debit page are visible, owing to the shortening of the third leaf at the top, and these totals are included when the third debit page is added from the top downward, the debit footings being transferred thereafter in the same manner.

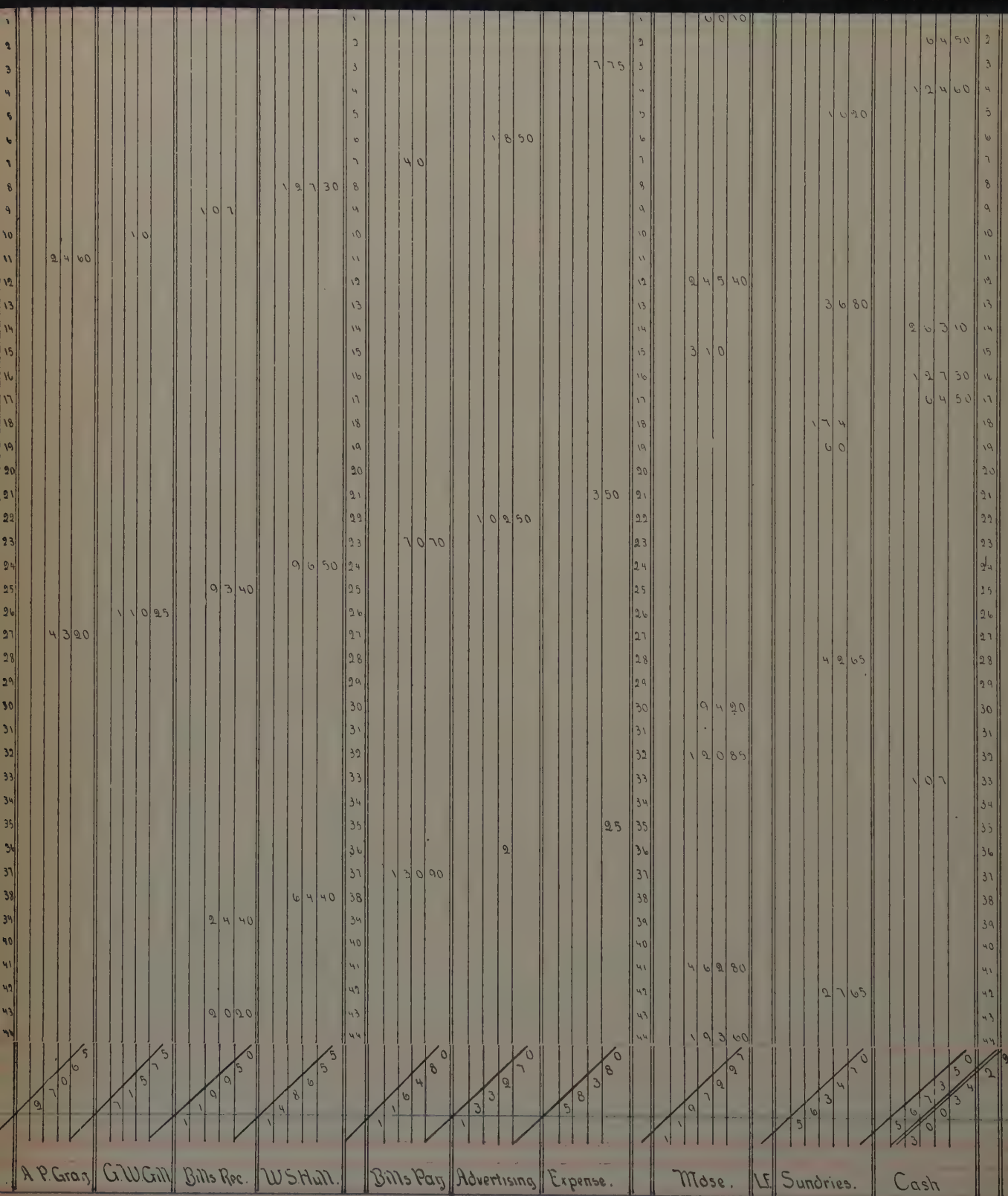
The credit footings are transferred in the same manner.

627. Cash Balance.—In the space below the explanation column, provision is made for balancing the cash whenever the columns are added.

If desired, the Cash columns may be ruled up and closed at any time.


A P Gray
G.W.Gill.
Bills Rec
W S. Hull
Bills Pay
Advertising.
Expense.
Mdse.
LF
Sundries.
Cash
Date
19
Mar
A P Gray
G W Gill
Bills Rec.
W S Hull
Bills Pay
Advertising
Expense.
Mdse.
LF
Sundries
Cash

		Cash	LF	Sundries	Mdse.	Bills Pay	W S Hull	Bills Rec
	Mdse. — Cash Invoice 143.	6 0 10						
	Cash. — Bills Receivable E.P.W's note #7 BB 3							6 4 30
	Expense. — Cash. Repairs on roof	7 75						
	Cash — Mdse. Cash Sales.				1 2 4 60			
1	G.W. Hunter. — Mdse S B 42				1 6 20			
	Advertising. — Cash. In Examiner to date	1 8 50						
	Bills Payable — Cash. Note # 10 B.B. 7.	4 0						
	W S Hull. — Mdse. S B. 43.				1 2 7 30			
	Bills Receivable — Mdse. J. D's Note # 40 BB. 4				1 0 7			
	G W Gill. — Cash For Loan	1 0						
	A P Gray. — Mdse S B. 44				2 4 60			
	Mdse. — Cash Inv # 144	2 4 5 40						
6	G W Hunter. — Cash on account.	3 6 80						
	Cash — Mdse. Cash Sales.				2 6 3 10			
	Mdse — Bills Payable. Inv. # 145.					3 1 0		
	Cash — W S Hull on account.						1 2 7 30	
	Cash. — Bills Receivable J. S. C's Note # 18 BB 5							6 4 50
9	E B Wright. — Cash on account	1 7 4						
5	Salary. — Cash. Paid L. M. Reynolds in full to March 1st. 1894.	6 0						
	Expense. — M L Munson for labor.			3 50				
	Advertising — Bills Payable. 90 ds. Note # 19 B.B. 7					1 0 2 30		
	Bills Payable. — Cash. Note # 11. B.B. 8	7 0 70						
	W S Hull. — Bills Receivable. J. D's on account							9 6 50
	Bills Receivable. — Mdse. A.E.G.'s Note # 24 BB 5				9 3 40			
	G W Gill. — Mdse. S.B. 46				1 1 0 25			
	A. P. Gray. — Mdse. S B 46				4 3 20			
8	J A Wiles. — W.S. Hull gave J A W. 1st dr. on W S H in full of account to date						4 2 65	
	Mdse. — Bills Payable. E. H. Newton's acceptance 30 days. B.B. 8					9 1 20		
	Mdse. — W. S. Hull. Invoice # 146						1 2 0 85	
	Cash. — Bills Receivable. J. O Chapman's Note 30 days. B.B. 2							1 0 7
	Expense, — Cash. 1 broom	25						
	Advertising. — Cash. Postage.	2						
	Bills Payable. — Mdse. Invoice # 148				1 3 0 90			
	W. S Hull. — Mdse. S.B. 47				6 4 40			
	Bills Receivable. — W. S. Hull gave W S H E P G's Note at 30 days. on account.						2 4 40	
3	Mdse — A. C. Porter. Invoice # 149			4 6 2 80				
4	C E Howard. Mdse S B. 47.				2 7 65			
	Bills Receivable. — W S Hull gave W.S.H. J.D.'s Note at 20 ds BB 7						9 0 20	
	Mdse. — Cash Invoice # 150	1 9 3 60						
	Cash Dr. 4171.50	5		7	5	7	3 5	7 0
	Cash Cr. 3254.35	3		3	8	6	5	9
	Balance 917.15	4 5		1 5	3	6	7	7 0
		2		2	5	4	3	6
	Ledger Page 3	3		7	6	4	8	5


A P. Graz
G. W. Gill
Bills Rec.
W S Hall.
Bills Pay
Advertising
Expense.
Mose.
L.F.
Sundries.
Cash

C K		C K	Cash	L F	Sundries	Mdse	Bills Pay'a	W S Hull	Bills Rec
0	**Footings brought forward**	1	4 1 7 3 45		7 7 8 1 57	7 0 9 0 95	4 5 7 3 40	1 1 0 2 75	9 2 9 50
	Mdse — Cash Invoice 143.	1	6 0 10						
	Cash. — Bills Receivable. E.P.W.'s note #7 B.B. 3	2							6 4 50
	Expense. — Cash. Repairs on roof	3	7 75						
	Cash. — Mdse. Cash Sales.	4				1 2 4 60			
3	G.W. Hunter. — Mdse S.B. 42	5				1 6 20			
	Advertising. — Cash. In Examiner to date	6	1 8 50						
	Bills Payable. — Cash. Note. # 10 B.B. 7.	7	4 0						
	W S Hull. — Mdse S.B. 43.	8				1 2 7 30			
	Bills Receivable. — Mdse. J. D.'s Note # 40 B.B. 4	9				1 0 7			
	G W G.M. — Cash For Loan	10	1 0						
	A P Gray. — Mdse S.B. 44	11				2 4 60			
	Mdse. — Cash Inv # 144	12	2 4 5 40						
6	G.W. Hunter. — Cash on account.	13	3 6 80						
	Cash. — Mdse. Cash Sales.	14				2 6 3 10			
	Mdse. — Bills Payable. Inv. # 143.	15					3 1 0		
	Cash. — W S Hull on account.	16						1 2 7 30	
	Cash. — Bills Receivable J.S.C.'s Note # 18 B.B. 5	17							6 4 50
0	E.B. Wright. — Cash on account	18	1 7 4						
2	Salary. — Cash. Paid L.M. Reynolds in full to March 1st. 1894.	19	6 0						
		20							
	Expense. — M.L. Munson for labor.	9 21			3 50				
	Advertising. — Bills Payable. 90 ds Note # 19 B.B. 7	22					1 0 2 50		
	Bills Payable. — Cash. Note # 11. B.B. 8	23	7 0 70						
	W S Hull. — Bills Receivable. J. D.'s on account	24							9 6 50
	Bills Receivable. — Mdse. A.L.G.'s Note # 24 B.B. 5	25				9 3 40			
	G W G.M. — Mdse. S.B. 46	26				1 1 0 25			
	A. P. Gray. — Mdse. S.B. 46	27				4 3 20			
8	J.A. Wiles. — W.S. Hull gave J.A.W. 1st dr. on W.S.H. in full of account to date	28						4 2 65	
		29							
	Mdse. — Bills Payable. E.H. Newton's acceptance 30 days. B.B. 8	30					9 4 20		
	Mdse. — W.S. Hull. Invoice # 146	32						1 2 0 85	
	Cash. — Bills Receivable. J.O. Chapman's Note 30 days. B.B. 2	33							1 0 7
		34							
	Expense. — Cash. 1 broom	35	25						
	Advertising. — Cash. Postage.	36	2						
	Bills Payable. — Mdse. Invoice # 148	37				1 3 0 90			
	W.S. Hull. — Mdse. S.B. 47	38				6 4 40			
	Bills Receivable. — W.S. Hull gave W.S.H. E.P.G.'s Note at 30 days on account.	39						2 4 40	
		40							
	Mdse — A.C. Porter. Invoice # 149	3 41			4 6 2 80				
4	C E Howard. Mdse S.B. 47.	42				2 7 65			
	Bills Receivable — W.S. Hull gave W.S.H. J.D.'s Note at 20 ds B.B. 4	43						2 0 20	
	Mdse. — Cash Invoice # 150	44	1 9 3 60						
	Cash Dr.		5 5 0 9 9 5		0 9 4 7 8 7	5 0 9 2 3 5	5 0 8 0 1 0	1 5 2 8 1 5	1 2 6 2 0 0 3 1 3 0 3 1
	Cash Cr.								
	Balance								
	Ledger Pages	C K	Cash	L F	Sundries.	Mdse	Bills Pay'a	W.S. Hull	Bills Rec.

628. Ledger Folio Columns.—Vertical ledger folio columns are provided for the entries in the sundries column, and a horizontal folio column extends across the foot of each page for recording the ledger pages, whenever it is desired to post the footing of the various columns.

629. Dropping or Changing Column Titles.—If it is found desirable to discontinue the keeping of a given account in any column, all that is necessary is to post the footing, and either leave the column blank thereafter or substitute another account.

630. Cash Balance Carried Forward.—For entering "Cash Bal. on hand, or bringing down Cash Bal. on hand, after ruling up the Columnar Journal, see par. 557.

631. Daily Totals.—The columns should be totaled daily in pencil and the total of the debit columns compared with the total of the credit columns. See par. 561.

632. Check Figure Column.—Note that a Check Figure column is provided on the left and on the right of the explanation column, and one of the Check Figure methods may be used if the teacher so directs.

633. Safeguard Check Systems.—Any one of the Safeguard Check Systems, explained elsewhere in this book, may be used if the teacher so elects.

CASH BOOK

Page 24. Dr.

19				ck.		
May	1		Balance	3	3,249	21
		95	Mdse Sales	2	172	39
			J. P. Lawley on acct.	7	4,173	91
			Bills Rec., W. W. Ely's note No. 6, B. B. 29	6	465	25
		95	Mdse Sales	0	1,324	84
			A Spencer in full of acct.	10	648	44
			E. K. Isaacs on acct.	8	246	48
			Shipment No. 3, part proceeds	9	26	49
			Bills Rec., C. J. Mast's note, B. B. 30	1	917	19
		95	Mdse Sales	6	649	83
				52	11,874	03
				8	8	

JOURNAL

Page 57.

19				ck.			
May	4		Mdse	6	249	21	
			To Cash				249	21
			Cash	2	172	39	
		95	To Mdse.				172	39
			Mdse	7	4,173	91	
			To Cash	7			4,000	00
			" J. S. Smith,	0			173	91
			Bills Rec.	6	465	25	
		95	To Mdse	4			400	00
			" Cash	2			65	25

MERCHANDISE

19				ck.			19				ck.		
May	4	J.	57	6	249	21	May	1	C. B.	24	2	172	39
				7	4,173	91					0	1,324	84
											6	649	83
								4	J.	57	2	172	39
											4	400	00
				13	4,423	12					14	2,719	45
				2	2						3	3	

634. Trial Balance.—The use of the Check System affords a short and simple method of taking monthly trial balances. Instead of finding the footings of the ledger accounts, the footings of the check-number columns are taken. This is quite as reliable a test of the Ledger as is the ordinary trial balance, and it is much more readily prepared.

635. General Merits of a Check Figure System.—The fact that one or another of the Safeguard Check Systems presented elsewhere in this book is used by large numbers of accountants and bookkeepers is a sufficient guaranty of the practical value of a Safeguard System. A few years ago certain persons went about the country "selling" some of these methods at a fancy price. Many business men have paid as much as $100 for a Safeguard Check System. An attempt was even made to "patent" them, and to collect a royalty from those accountants or business men that were using any one of them. It is perhaps needless to remark that a mathematical principle is not subject to patent.

636. In the hands of an accountant or bookkeeper that has acquired a ready familiarity with the principle a Check System may be very profitably employed to prevent those costly and vexatious delays that are sometimes occasioned to a business when the books are found not to be in balance. Every accountant and bookkeeper should at least be familiar with the application of these systems, so that he may apply either one when required to do so.

BRANCH HOUSE

637. The term "Branch House" is applied to the separate branches of a firm, which are usually located in distant cities. The central concern is known as the "Main House."

638. Branch House Account.—On the books of the Main House, an account is opened with the Branch House, and this account is kept in the same manner as a personal account. The Branch House is charged with everything furnished, as goods, cash, store fixtures, etc., and credited with everything that it furnishes the Main House.

639. Prices.—The Main House frequently orders merchandise from the Branch House with instructions for the original bill to be sent to the Main House, and a duplicate bill without prices to be sent with the goods to the Branch House. The reason for doing this is that the Main House may have special prices that the proprietors do not care to make known (especially if the manager of the Branch House is likely to go into business for himself); or they may desire to fix their own prices on the goods in a private way. When this is done, it is necessary for the Main House to make out a bill, with prices, and send it to the Branch House before the goods can be marked. Some firms debit the Branch House for the goods that they furnish at a profit, although the proper way would be to charge them at cost, which is usually done.

640. Branch House Bills.—In case the bills for goods that have been bought on account by the Branch House are turned over to the Main House for settlement, the Main House debits the Branch House, and credits the parties selling the goods for the amount of the various purchases. In the absence of this plan, a statement showing the date, terms, of whom bought, and the amount to be paid, is made out by the Branch House and sent to the Main House, as the original bills are kept by the Branch House for reference.

641. Branch House Loss or Gain.—If our Branch House shows a gain at the end of the year, we debit it and credit our Loss and Gain account. When this is done, the difference between the two sides of the Branch House account will show a resource to us, which amount should agree with the difference between the resources and liabilities of the Branch House. If the gain is remitted at the end of the year, we should debit Cash and credit the Branch House. This entry may be made either before or after debiting the Branch House and crediting Loss and Gain. In closing our books at the end of the year, we always leave the account open, classifying it as a resource in our business.

If the Branch House account shows a loss at the end of the year, we debit Loss and Gain and credit the Branch House for the amount of the loss, allowing the account to stand open, classifying it as a resource, in closing our books, after adjusting the loss and gain for the year. The difference between the two sides of the account shows the present worth of the Branch House.

642. Branch House Books.—The books are opened the same as are the books in any other business, crediting the Main House for the investment; also debiting or crediting it at the end of the year for the net loss or gain. The Main House account should be treated in every respect the same as you would treat the proprietor's account in any business. When merchandise is bought by the Branch House and the bills are sent to the Main House to be paid, Merchandise is debited and the Main House is

credited. In other cases, as when you buy merchandise on account, you should debit Merchandise and credit the person or firm from whom it was purchased, as in any other business.

Sometimes a Branch House for the sale of farming implements, etc., is conducted by a person who is handling a different line of goods for himself. When this is the case, it is seldom worth the trouble and expense to keep a separate set of books for each business. An account is opened with the Main House, also one with "B. H. Merchandise," which is debited for the goods received from the Main House, the "Main House" account being credited. When these goods are sold, we debit our customers, or whatever we receive, and credit "B. H. Merchandise."

All dealings with the Main House should be limited as nearly as possible to these two accounts, "Branch House Merchandise" and "Main House." However, if the Main House should furnish a team for use in the business, perhaps it would be well to keep an account with "Main House Chattels."

It may or may not be desirable to keep an account with "B. H. Expense." In the absence of this account, all items of that character are charged directly to the Main House account.

The Main House generally requires the Branch House to keep loose-leaf Cash and Journal records, with carbon duplicates. The originals are sent to the Main House, daily, and the duplicates are retained as the records of the Branch House.

BRANCH HOUSE BALANCE SHEET

643. At the end of the year, an inventory of the Branch House property should be taken, and each account closed as though it were an account in our business, excepting that the loss or gain is carried to the Main House account, which will then show the actual present worth of the Branch House.

Branch House Balance Sheet, Sept. 2, 19__

RESOURCES						
Cash		820	50			
Personal Account, per separate list	1	245	25			
Mdse Inv'ry		965	25			
Furniture and Fixtures, Inv'ry		245	75			
Chattels, Inv'ry		150		3	426	75
LIABILITIES						
Personal Accounts, per separate list		945	62			
Bills Payable, per B. B		785	20	1	730	82
Present Worth of Branch House				*1*	*695*	*93*
GAINS						
Mdse		892	55			
Int. and Dis		24	45			
Shipment No. 1		14	20		931	20
LOSSES						
Expense		158	97			
Collections		10	50			
Advertising		65	80		235	27
Net Gain of Branch House					*695*	*93*
Branch House credits	1	437	50			
" " debits		437	50			
" " net credit	1	000	00			
" " " gain		695	93			
Present Worth of Branch House				*1*	*695*	*93*

644. Petty Account.—A Petty account is an account kept in the Ledger under the heading "Petty Account" or "Miscellaneous Account," for the purpose of entering all small sales on account to customers, who seldom buy of us except for cash. In sales of this character, it is not worth while to open an account for one charge. If we desire to charge John Smith in the Petty Account, the entry would be made in the Sales Book thus: "Petty Account—John Smith," or "P. acct.—John Smith."

In posting to the Ledger, the name of the person charged is written in the explanation column, and when the account is settled, the credit is entered on the same line as the debit, writing in the explanation column the word "Paid." See charge of $3 against John Smith in the accompanying form of Petty account.

Sometimes small articles are bought without being paid for. We record the purchase in the Petty account by crediting the person of whom we bought the article, and when settled for, marking the

account paid on the debit side. See W. S. Hull's credit in the following form. Occasionally these accounts are settled part at a time. When this is done, the entries should be made the same as in B. H. Gill's account in the form.

PETTY ACCOUNT

19						19					
June	20	J. M. Moore	120	4	20						
		D. B. Rice		1	50						
	21	John Smith	122	3		June	25	Paid	63	3	
	22	D. M. Ferry		1	40						
		I. H. Wall	123	2	25						
	24	David Watt	124		75						
June	27	Paid	65	2	25	June	22	W. S. Hull	85	2	25
							28	Mdse returned		2	25
	26	B. H. Gill	126	4	60		29	Cash		2	35

PRIVATE ACCOUNT IN PARTNERSHIP

645. The learner has been shown the use and the necessity of a Private Account in single proprietorship, par, 407, 410. The necessity for such accounts in a partnership is in many cases the only check against recklessness and extravagance in withdrawals and use of partnership property by partners.

646. The disposition of withdrawals, interest on withdrawals, salary of partners, the firm's debts paid by a partner, partners' debts paid by the firm, the amount of withdrawals, how the private accounts are to be closed, are matters for the partnership agreement to state clearly, to prevent future misunderstandings.

647. Transfer Entry.—When for any purpose it is desired to transfer a given amount from a proprietor's Stock account to the Private account, it may be done by simply making the transfer entries in the Ledger, but it is better to make a journal entry as follows:

H. B. Burton, Stock.....$382.90
H. B. Burton, Private.....$382.90
Amount set aside from Stock account for private use.

648. Each partner should use partnership money and property as if he were an employee. Each partner should be treated as any other customer and should be debited for all money or other property that he may take or partnership property that he may use, as partnership team for hauling personal property, etc.

649. Interest Debits and Credits. — Some prefer to charge each partner with interest on withdrawals of cash or other property, and to credit him with interest on additional investments until the next profit-taking period. Then if one partner invests more than his share, he is allowed interest on the excess. If less, he is charged interest on the amount less than his proportion.

Again, the agreement may be that interest shall not be reckoned on withdrawals or additional investments, but that profits shall be apportioned, on the basis of the relative investments, at the end of each six months' period.

Sometimes salaries are allowed each partner. All of these matters should be mutually agreed on and included in the written copartnership agreement.

650. Closing the Private Account.—A Private account may be closed by any one of the following methods:

1. At the end of the year the proprietor's net loss or gain in the business may be carried directly to the Private account. The balance of this account is then carried to the Stock account, which is then ruled up and the balance brought down as usual. The Private account is also ruled up.

2. The loss or gain may be carried directly to the Stock account, the Private account then being closed into the Stock account. Of these two methods, we consider the first one preferable.

3. After the loss or gain has been transferred to the Private account, this account may be ruled up and the balance brought down without transferring it to the proprietor's Stock account.

In case of a single proprietor, the Private account is sometimes carried to the Loss and Gain account, and then any profit or loss of the business is transferred to his Stock account; but this method of conducting a Private account is not commendable.

The Private account should never be considered as a resource or a liability of the business, as it is merely a branch of the Stock account.

651. Opening Books with a Private and Stock Account.—If it be desired to open the books with a Private account, the opening entry in the Journal should be in form as follows:

Resources (enter these separately)	$12,000	
To Liabilities (enter these separately)		$6,480
W. S. Hull's Private Account		520
W. S. Hull's Stock Account		5,000

652. Private Bank Account.—A Private bank account is merely the personal bank account of a partner or stockholder of a company. This account is not only a matter of convenience, but frequently of necessity, as the individual bank account of a partner or stockholder must be kept separate from the bank account of the concern.

The following Balance Sheet shows the method of apportioning the gain to partners' accounts, as per partnership agreement:

Balance Sheet or Financial Exhibit of C. L. Martin & Co.'s Business, Aug. 31, 19____

L F	LEDGER ACCOUNTS	TRIAL BALANCE				BALANCE OF BALANCES				LOSS AND GAIN ACCT.			
		Debits		Credits		Resources		Liabilities		Losses		Gains	
1	C. L. Martin, Stock			7033	10								
2	D. P. Wayne, Stock	200		7550									
4	Cash	21289		10131	30	11157	70						
5	Bills Receivable	21050		15050		6000							
8	Mdse	33275	50	28200	50	*6210*						1135	
9	Chattels	375				*325*				50			
10	C. R. Trudgeon	1520	50	1125	60	394	90						
11	W. E. Fowler	945	50	560	50	385							
13	G. W. Riley	1125	75	1325	75			200					
14	M. Mordecai	295	80	395	80			100					
15	Bills Payable	30080	50	38080	50			8000					
16	Expense	250								250			
17	Interest and Discount	23	50	37	50	*40*	*50*	*20*				34	50
20	S. Ryden			380	50			380	50				
21	K. W. Weir			560				560					
		110431	05	110431	05	24513	10	9260	50	300		1169	50
1	C. L. Martin, Partner												
	Cr. by Net Stock Acct.			7033	10								
	Cr. by ½ Net Gain			434	75					*434*	*75*		
	Present Worth	*7467*	*85*					7467	85				
2	D. P. Wayne, Partner												
	Cr. by Net Stock Acct.			7350									
	Cr. by ½ Net Gain			434	75					*434*	*75*		
	Present Worth	*7784*	*75*					7784	75				
	Firm's Present Worth	15252	60	15252	60	24513	10	24513	10	1169	50	1169	50

Note.—If there should be a loss and it should be required to be closed into Impairment Fund, or Balance, etc., it would be better to use the form of Financial Exhibit shown on page 107. If the showing is to be made without closing the Ledger, the form of Financial Exhibit illustrated on page 108 would be more convenient.

THE VOUCHER SYSTEM OF KEEPING ACCOUNTS

ILLUSTRATED BY THE OPERATIONS OF

THE BOSTON TANNING COMPANY

653. A Voucher is any written or printed document that serves to vouch, to give evidence of the truth of an account or of the payment of an account or both. In the Voucher System it is a special form of receipt.

654. The Voucher System is a method of keeping accounts in which the Voucher Record is introduced to take the place of accounts with creditors. As the Voucher Record represents accounts with creditors, such accounts are not opened. The invoices of materials, machinery, or other articles bought, and also itemized statements for outlays necessary to carry on the business, are kept on file, in a special form of receipt known as a Voucher.

655. The Voucher Record is a special column Journal. By looking at the "Total Column" in the Voucher Record we can see, at any time, the total amount that would be carried to the credit of creditors' accounts if such accounts were kept. This amount, as illustrated by the Voucher Record for the first six vouchers entered, is $1434.72.

By looking at the total of the two columns, "Cash" and "Sundry Payments," on the right of the Voucher Record, we can see the amount of payments that would be carried to the debit of creditors' accounts, if the accounts were kept in the usual way. The sum of these two totals is $806.76.

The difference between the total of the "Total Column," and the sum of the two totals of "Cash" and "Sundry Payments" will show the total amount yet due creditors; and this amount should agree with the amount of Unpaid Vouchers. The difference between $1434.72 and $806.76 is $627.96. The Voucher Record shows that Voucher No. 1, for $582.51, and Voucher No. 6, for $45.45, have not been paid. These Unpaid Vouchers total $627.96, which shows that the Voucher Record agrees with the actual facts. This test should be made daily by the student.

656. Checks with Cash Book.—This test checks also with Vouchers paid as shown by the credit side of the Cash Book.

657. Proof of Voucher Footings.—The footings of the several columns should be added daily to see that their total equals the total of the Total Column. See Voucher Record for illustration.

658. How to Operate the Voucher System. The Voucher Record.—To conduct this system of keeping accounts with the greatest facility, it is necessary to have, in addition to the main books used in other systems, a Voucher Record, a columnar journal, in which is a column for each kind of material used and for each class of outlay or expense incurred in carrying on the business. The Voucher Record contains a record of each voucher issued, beginning with No. 1 and numbering consecutively.

Some material may be bought or expense incurred against which we may have an offset; that is, we may buy material of some one that owes us, and then set up their indebtedness to us against what we owe them. This is more often called a Contra account. A column is often provided on the Voucher Record for such accounts. In case there is no Contra Column provided for on the Voucher Record, such item may be set in a column headed "Journal column for all accounts except Cash." Again, some miscellaneous accounts are most certain to come up for which no column is provided, and for this reason, it is necessary to have a column headed "Sundries."

In addition to the two columns just named, the Voucher Record will have many or few columns, depending on the nature of the business and the judgment of the bookkeeper, as to how minutely he desires to classify the materials used and the expenses incurred in carrying on the business.

In this system, the invoices of purchases and of other outlays necessary to carry on the business are kept in files. No accounts are opened in the Ledger with creditors; but instead, when the invoices are paid, Cash is credited and the different classes of goods or materials purchased or used, or expenses incurred are debited.

659. How to use the Voucher Record.—When an invoice is received or an outlay is to be incurred, the items are checked, verified, by the proper persons. Then a voucher is made out, and certified by the proper authorities, after which the distribution of the items to the proper accounts should be made on the back of the voucher; and from this distribution the entries should be made on the Voucher Record. See Voucher illustrations.

After the entries have been made on the Voucher Record, the invoice or the statement for which

the outlay is to be made, is folded inside the voucher and all the documents bearing on this transaction or set of related transactions the payment of which has been made by one check are filed together according to the scheme for filing. The check would then indicate the invoices for which it is payment.

In your schoolwork, you should file the vouchers in your Daily Reminder, using one compartment for "Paid Vouchers" and another for "Unpaid Vouchers."

660. Paying an Invoice.—When the invoice is to be paid, a Voucher Check is made out, and sent to the creditor. The Voucher Check is an ordinary check with a statement on the left-hand end containing an itemized list of the articles in the invoice for which the check is to be full payment. Or the check may contain on its face: "In full payment for Voucher No. —." The check will have to be indorsed before the creditor can get the money on it. This insures the return of the Voucher Check through the bank. When the Voucher Check is returned, it is inclosed in the voucher with the invoice or other document for which it is payment. The voucher and its voucher check constitute complete evidence of payment.

If several invoices are to be paid at the same time and to the same creditor and contain the same terms, a Voucher Check may be given for the combined amount and the Voucher Check would then indicate the total of the items of the invoices for which it is payment. This is done to save writing checks and the additional postings, as one check and one posting will answer for all. If the invoices bear different terms this could not be done. The total of sundry invoices of a miscellaneous and petty character, but bearing no discount, may be paid with one check.

Record of checks issued in payment of vouchers, etc., may be kept on the stub of the Check Book or in a Check Register, or in a Banking Ledger. In case of payment of Voucher, the only record necessary on the stub of Check Book is "Payment of Voucher No. —."

As the different vouchers are paid they are entered in the Cash Book, credit side.

661. Postings.—The learner must remember that there are various ways of arranging books for the Voucher System and that the posting will vary with the planning of the system of books.

662. Posting from the Voucher Record. Debits.—The Voucher Record is a columnar journal, to classify the raw material and the items of expense of conducting the business. At the end of the month or at the close of a page, an account is opened in the Ledger with each column named in the Voucher Record; as, columns, A, B, C, D, E, F, G, H, I, J, K, L, M, N, O, etc. For brevity and also for the purpose of concealing the cost of material or article or outlay for expense from the clerks or others, the columns representing the different materials or items of outlay may be given a letter or a number and the column on the Voucher Record to be charged for the outlay is designated by a letter or a number on the back of the voucher. That is to say, an account is opened with "Hides," and the total of that column, $574.17, as illustrated by the total of the first six vouchers, is posted to the debit of that account. In like manner an account is opened with "Kip Skins," "Calf Skins," and so on through the list and the total of each column posted to the

BOSTON TANNING COMPANY

Date		In whose favor Payment is to be made	LF	Journal Column for all Credits Excepting Cash		Vch No.	Total Column		A Hides		B Kip Skins		C Calf Skins		D Goat Skins		E Sheep Pelts		F Tan Bark	
19 Aug.	1	Am. Mdse Co.				1	582	51	254	31									288	
	2	Am. Mdse Co.	26	Bills Pay No. 29	265 50	2	265	50			38	40					32	40	168	
	3	Am. Mdse Co,	42	W. E. Fowler, Dft. 3	250 16	3	250	16	95	16	3	30					8	80	142	
	3	A. B. Dun & Co.				4	241	15	224	70										
	3	Miller & Co.				5	49	95							25	65	20	70		
	4	Am. Mdse Co.				6	45	45					43	74						
							1434	72	574	17	41	70	43	74	25	65	61	90	598	
				Ledger Pages																

debit of its account. Then accounts will have to be opened with any item in the Sundries column, and the amounts posted to the debit side.

663. Credits.—An account will have to be opened with each account in the column headed "Journal column for all credits except Cash," but these accounts are credits and their amounts will have to be posted to the credit side of their respective accounts; that is to say, an account is opened with Bills Payable, and its amount, $265.50, will be posted to its credit. Likewise an account is opened with W. E. Fowler and the amount, $250.16, posted to its credit, and so on, for any account that may appear in that column.

664. Accounts Payable.—At the end of the month an account should be opened in the General Ledger with "Accounts Payable," and the footing of the "Total Column," as $1434.72, posted to its credit; and the total of the two columns, "Cash," and "Sundry Payments," as, $806.76, posted to its debit. The difference between the debit and the credit sides of this account shows the amount of "Unpaid Vouchers," and the amount of the indebtedness of the business, except any notes or mortgages outstanding. In case this account is not kept the footings of these columns are not posted. This account is kept as a controlling account; that is to say, a standard by which the correctness is tested.

665. Special Column Cash Book.—While the ordinary Cash Book may be used, the labor of operating the Voucher System will be greatly reduced by using a Special Column Cash Book. See illustration, page 149.

Posting from the Cash Book—Credits.—The footing of each column, except the "Mdse Dis." on Sales, on the debit or "Received" side, would be posted to the credit of its account. "Mdse Dis." on Sales is a charge against sales, and is therefore a debit.

The Ledger pages to which each footing is posted are set in the first line below the double rule and are indicated on the Cash Book illustration by a dagger (†) set before the page No. A single red ink line is drawn across the Cash Book below the folio references and the Balance carried forward is brought down below the single red ink line, in order that no entry may be made on the folio line, and to make the folio references stand out that they may be seen at a glance.

666. Debits.—Every payment with its Check No. and its Voucher No., if paid on a Voucher, is entered on the credit side. If any amount of cash is paid out that is not paid on a Voucher, in order to find the total cash paid, for balancing the Cash Book, the amount of Cash paid on Vouchers is set in the Cash column under "Not paid on Vouchers," and the total found.

The several amounts under "Vouchers Paid" are posted to the Voucher Record under "Explain When and How Paid."

The footings of the other columns on the credit or "Paid" side, except "Mdse Dis." on Purchases, are posted to the debit of their respective accounts. "Mdse Dis." on Purchases reduces the cost of purchases and is therefore a credit.

General.—The footing of the "Total Sales Cr." column on the debit side, and of the "Total

VOUCHER RECORD FOR_____19____

G		H		I		J		K		L		M		N		O				Explain When and How Paid							
Lime		Salt		Bate Material		Tallow		Fish Oil		Caoutchouc		Sulphuric Acid		Iron Filings		Pay Roll		Sundries		Date	Vch No.	Explanation	For Ck and Cash Pay't		For Sundry Payments	
		15						25	20											19	1					
1	70					25														Aug. 2	2	Bills Pay			265	50
	90											9									3	3	W.E.F. Dft.			250	16
										6	70				75						3	4	Mer. Bank	241	15		
								2	25					1	35						3	5	Mer. Bank	49	95	291	10
			81		90																	6				
2	60	15	81		90	25		27	45	6	70	9		2	10									291	10	806	76

Vouchers Payable Dr." column on the credit side need not be posted as the controlling account is established from the Voucher Record by this scheme of books.

The footing of the "Net Sales Cr." column on the debit side, and of the "Net Cost of Material Dr." column on the credit side may or may not be posted as the teacher may prefer, and the account used as a summary account for statistical purposes.

Ordinary Cash Book.—The Cash Book for this business may be kept in the ordinary way, except that the credit columns are used respectively for sundry items and for "Vouchers Paid." The "Vouchers Paid" column contains the items of the cash payment column of the Voucher Record. The total of these columns must agree. See the accompanying form.

CASH BOOK

												Sundries		Vouchers Paid	
19 Aug	1		Balance			47090		19 Aug	1		Real Estate, 2 blocks of land	800			
											Buildings, Etc.	1350			
											Machinery, Water Wheel	300			
											Miscellaneous Machinery	375			
											For placing the same, etc.	50			
											Inventory 138				
											Tools as per Inv. 139	35			
								June	1		Labor per pay-roll 19	125			
									3		Labor per pay-roll 20	11			
									5		Labor per pay-roll 21	89			
									6	VR 1	V No. 4, A. B. Dun & Co.			241	15
									7	VR 1	V No. 5, Miller & Co.			49	95
											Discount	5	55		

667. Paying Creditors and Getting Receipts or Vouchers.—1. One way is to make out the voucher and the check on the same paper. This form requires the invoice to be copied on the voucher; or at least an abstract of the invoice to be made on the voucher. When the voucher-form is receipted and the check-form indorsed, the check becomes payable to the payee. This form is illustrated in Vouchers 1, 2, 3.

The objections to this method are the extra work in copying the invoice or an abstract of it on the voucher and the bulkiness of the document. It is also objected that this plan unnecessarily exposes the business.

2. A second way is to make out the voucher and the check in separate documents and to ask the creditor to receipt the voucher and to return it. To insure the return of the voucher, it is usual to print at the bottom, in bold type, "Please date, receipt, and return this voucher by first mail." This form is shown in "Remittance Voucher," illustration 4. The objection urged against this plan is that the voucher is not always returned promptly, sometimes requiring several letters to get it returned, thus requiring additional work and stamp expense. In some instances the voucher is forgotten by both the payer and the payee and not returned at all, and the record, in that event, is incomplete. This objection is almost entirely, if not completely overcome by using the Remittance Voucher and the Classification Voucher combined, illustrations 4, 5, and 6. Carbon may be used to fill in classifications on inside of Classification Voucher, overcoming the objection of recopying. Moreover, the business is not exposed because the classification is by letter or number or both. In this plan the check bears the same number as the voucher.

3. A third way is to inclose with the check an ordinary receipt, to be signed by the payee and returned.

4. A fourth way is to use a Voucher Check. The Voucher Check is an ordinary check with a statement on the left-hand end, containing an itemized list of the articles in the invoice, and for which the check is to be full payment. Following the list of the articles, there is a printed statement that "No receipt is required; the indorsement of this check is acknowledgment that the invoice is paid in

SPECIAL COLUMN CASH BOOK, (Received)

DATE	L.F.	ACCOUNT	EXPLANATION	SOLE LEATH.	HARN. LEATH.	SHEEP SKINS	GOAT SKINS	KIP SKINS	CALF SKINS	WOOL	HAIR	GLUE SCRAPS	SUND'S	TOTAL SALES Cr.	MDSE DIS. Dr.	NET CASH REC'D	NET SALES Cr.
19 Aug. 1			Balance													47090 00	
2		Am. Mdse Co.	Sale No. 1 on Note	297	658						10 50	29		965 79		965 79	965 79
3		Am. Mdse Co.	Sale No. 2			48		112 50		38 38				198 88		198 88	198 88
3		A. B. Dun & Co.	Sale No. 3		545 60		18	19 50			15 75	30		599 15	59 92	539 23	539 23
3			*Balance*														
				297	1203 60	48	18	132 00		38 38	26 25	59		1763 82	59 92	48793 90	1703 90
				†24	†25	†26	†27	†28		†29	†30	†31					
Aug. 4			Balance													48502 80	

SPECIAL COLUMN CASH BOOK, (Paid)

DATE	L. F.	ACCOUNT	EXPLANATION	Vch. No.	Ck. No.	Total Vouchers Payable Dr.	Mdse Discount Cr.	Net Cost of Material	LABOR Dr.		SUNDRY COSTS Dr.	NOT PAID ON VOUCHERS		VOUCHERS PAID	
									Productive	Non-Productive		Sundries	Cash	Cash	Other than Cash
19 Aug. 1				1											
2		Bills Pay	Note 1	2		265 50		265 50							265 50
3		W. E. Fowler	Draft	3	2	250 16		250 16							250 16
3			Merch. Bank	4	3	241 15		241 15						241 15	
3			Merch. Bank	5	4	55 50	5 55	49 95						49 95	291 10
				6											
														48502 80	
						812 31	5 55	806 76						48793 90	806 76

full." See illustration No. 8. Some Voucher Checks have no list of articles, but contain a printed statement on the face, "In full payment for Voucher No. —."

668. The Cash Book Entry.—When a creditor is paid by any of these methods all that is necessary is to enter on the credit side of the Cash Book the date, in the date column, and write the "Voucher No.—" and the "Check No.—" in the proper explanation columns. It is not necessary to enter the name of the creditor paid, as the number of the voucher answers for that.

Special Column Sales Book.—This book like the Special Column Cash Book is divided into columns representing the various accounts with manufactured goods. All sales may be entered in this book or only sales on account and for note, as the teacher may prefer. The student should add the items of the sale to see that the total of the several items equals the "Amount of Sale." When a page is filled, the footings of the several columns may be carried to the next page until the end of the week or month, or the totals may be posted at the close of each page as the teacher may prefer. One line should be left at the bottom of the page below the footings in which to set Ledger folios, as in the Cash Book.

669. Ledger Accounts.—Ledger accounts are opened with the various materials bought for manufacturing purposes, as indicated by the headings of the separate columns in the Voucher Record.

The Ledger accounts for the sales are to be opened in accordance with the various classes of goods, as represented by the merchandise cards, which are as follows: Sole Leather, Harness Leather, Sheep Skins, Kip Skins, Goat Skins, Calf Skins, Wool, Glue Scraps, and Hair.

The student must be careful to note that most accounts opened from the Voucher Record represent raw materials, while accounts opened from the Sales Book represent accounts with manufactured goods. The two must not be confused.

There will be other miscellaneous accounts; such as, Real Estate, Machinery, Manufacturing, Labor, Tools, etc. No accounts are to be kept with the persons or firms from whom you buy goods on account, the accounts being represented by the Voucher Record.

670. Manufacturing Account.—In strictly manufacturing, a merchandise account is not kept, but instead, an account is opened with "Manufacturing," or in case of a single article, an account is opened with the article manufactured, or a trading account may be opened, if desired.

The Manufacturing account is seldom, if ever, used except at the end of the year, or at such time as the books are closed, at which time all accounts with manufactured goods and with materials used in manufacturing, labor, and all other accounts with the necessary expenses for manufacturing, such as Labor, Expense, Freight, Express, etc., are closed into the Manufacturing account.

If improvements are made or extra furniture or other equipments are bought for the office, they should be charged to some account that could easily be distinguished from those belonging strictly to the cost of manufacturing; such as, Special Expense, or the name of the improvement or property would answer the purpose. These accounts with Interest and Discount, Collections, and all other accounts that do not in any way pertain to the manufacturing of the goods, should be closed directly to the Loss and Gain account.

The actual cost of the goods manufactured is ascertained by opening separate accounts on beginning business with such articles and raw materials as may be necessary to buy for manufacturing purposes.

A "Machinery account" should be kept which should be charged with all machinery bought.

SPECIAL COLUMN

DATE		L F	NAME	ADDRESS	TERMS	AM'T OF SALE		SOLE LEATHER				HARNESS LEATHER				SHEEP SKINS			
								Quan.	Price	Amount		Quan.	Price	Amount		Quan.	Price	Amount	
19 Aug.	1		G. E. Daley	Boston, Mass.	Account	472	08	1240 #	22c	272	80					120#	40c	48	00
	1		A. B. Cook	Baltimore, Md.	Account	965	50	1350#	22c	297	00	2350#	28c	658	00				
	2		Bills Rec.	Brooklyn, N.Y.	W. S. Wood's 30-day note	97	75												

An account should be kept with "Tools" in like manner. An account should be opened with "Repairs" and all repairs charged to it. It should be closed into Manufacturing account.

At the end of the year, an inventory is taken, when an approximate value is placed on all property belonging to these accounts. A certain per cent is allowed on machinery, tools, etc., for wear and depreciation in value; that is, if a machine is estimated to give service for ten years, a discount of ten per cent from the original cost should be deducted each year when taking the inventory, and if estimated to wear only five years, a twenty per cent discount from the original cost should be made, etc.

A common way of getting at a fair inventory on machinery, tools, etc., is to have some experienced person to test the machinery, etc., and thereby to reach a fair value. Appraisal Companies are established in all large cities. These Appraisal Companies have men that are experts in special lines and if a flour mill or a printing office, etc., is to be inventoried, a specialist in the line required is sent to make the appraisal.

At the end of the year these accounts are credited with their respective inventories, and then closed directly to the Manufacturing account.

Accounts representing raw materials are closed by crediting each with its inventory and then closing the difference into Manufacturing account.

When all accounts pertaining to manufacturing have been closed to the Manufacturing account, it will show the gross profit or loss of manufacturing. If the total expenditures and receipts of manufacturing are wanted, it will be necessary to transfer the debit and the credit footing of all accounts pertaining to the cost of manufacturing to the "Manufacturing" account. This should be done in accordance with the instructions for "Transferring Ledger accounts," par. 285. The debit side of the Manufacturing account will show the cost of all goods manufactured, and the credit the receipts. The difference between the two sides will be the loss or gain, which should be closed to the Loss and Gain account. Or to Trading Account, if desired to keep a Trading Account. When this work has been done, the books are closed, the same as in any other business.

671. Closing the Books.—Close all accounts pertaining to the cost of manufacturing to the Manufacturing account. Read "Manufacturing Account." In closing the accounts, transfer the footings of the various amounts, and not the balances.

Close all other amounts to the Loss and Gain account. If necessary see "Steps in Closing Books," par. 413.

672. Applicability of the Voucher System.—If the learner will reflect he will see that that part of the Voucher Record from the left, up to and including the Sundries column, is in reality a Purchase Register, and that it differs from other Purchase Registers in that it is a record not only of the material bought or manufuctured, but that it also contains a record, in classified form, of machinery, tools, labor, and every outlay necessary to carry on the business, and that the Voucher Record takes the place of accounts with creditors furnishing all these things, he will realize that the Voucher System is especially applicable to a business that has numerous classes of purchases, because the method saves entries and postings.

Then, if he will reflect that that part of the Voucher Record under "Explain When and How Paid," is a record, also in classified form, of the payments to the sundry creditors, he will then fully realize what a great time-saver it is.

The Voucher System is extensively used by factories, railroads, express companies, public and private corporations, and many other kinds of business.

SALES BOOK

GOAT SKINS			KIP SKINS			CALF SKINS			WOOL			HAIR			GLUE SCRAPS		
Quan.	Price	Amount	Quan.	Price	Amount	Quan.	Price	Amount	Quan.	Price	Amount	Quan.	Price	Amount	Quan.	Price	Amount
			450#	25c	112 50				307#	12½c	38 38				80#	½c	40
												30 bu	35c	10 50			
									614#	12½c	76 75	60 bu	35c	21 00			

VOUCHER ILLUSTRATIONS

The following invoice represents a purchase, on account, at thirty days.

Cincinnati, Ohio, June 1, 19 ——

M Boston Tanning Co.

BOUGHT OF American Mdse Co.

DEALERS IN GENERAL MERCHANDISE

TERMS 30 days net

No. 140

ALL CLAIMS FOR SHORTAGE OR DAMAGE MUST BE MADE ON RECEIPT OF GOODS

	100	Hides	3 1-4c	254	31		
	20	brls. Salt	75c	15			
	40	gals. Fish Oil	25 1-2c	10	20		
	50	gals. Prime Fish Oil	30c	15			
	40	cds. Tan Bark	7 20	288		582	51

Upon receiving the above invoice, the several items are transferred to the voucher, as shown in the following form:

As separate accounts are to be kept with the various materials used in the business, the items of the invoice are classified and combined upon the voucher, according to the ledger accounts to be affected. The several amounts are then entered upon the Voucher Record.

Thus the two items of oil in the foregoing invoice are united on the voucher into one charge of $25.20 against the Oil account.

ILLUSTRATION No. 1

VOUCHER CHECK

Boston TANNING COMPANY

PAY TO American Merchandise Company,

ADDRESS Cincinnati, Ohio.

IF NOT CORRECT, RETURN WITHOUT ALTERATIONS AND STATE ERROR.

	100	Hides	3-1/4¢			254	31
	20	brls. Salt	75¢			15	
	40	gals. Fish Oil	25-1/2¢	10	20		
	50	" Prime Fish Oil	30¢	15		25	20
	40	cds. Tan Bark	7.20			288	

							582	51

EXAMINED AND ENTERED ON VOUCHER RECORD BY C.J.A. 6/1 1909

APPROVED FOR PAYMENT BY W. B. Phillips

RETURNED AND CHECKED BY C/C

VOUCHER NO. 1.

AMT. OF CHECK, $ 582.51

DISTRIBUTION OF CHARGES

CASHIER'S RECORD

Hides	254	31
Salt	15	
Oil	25	20
Tan Bark	288	

The following form illustrates the back of Voucher No. 1 as it should be filled out before sending to the payee. When the proper official for the American Mdse. Co. signs the receipt, the paying bank will honor the check. One advantage of the Voucher Check, as you will see by studying the form, is that it is not transferable, and no one but the payee named in the check, or a collecting bank, can get the money. No detailed explanation of the form is necessary, as it is self-explanatory.

No. 1 Boston, Mass., June 22, 1909

RECEIVED FROM Boston TANNING COMPANY

Five Hundred Eighty-two and 51/100 - - - - - - - - - - - - - - $582.51

BEING IN FULL PAYMENT OF ACCOUNT HEREIN. Am Mdse Co.
By A B Mills, Cash PAYEE.

NOTICE: THIS RECEIPT MUST BE SIGNED ONLY BY THOSE HAVING SUCH AUTHORITY AND IN INK. PAYING BANK WILL NOT ACCEPT UNLESS CONDITIONS ARE COMPLIED WITH.

WHEN PROPERLY RECEIPTED THIS VOUCHER IS PAYABLE AT	THIS VOUCHER CHECK IS GOOD ONLY WHEN SIGNED BY
Merchants Bank, Boston, Mass.	American Merchandise Company.

FOLD ON THIS LINE

THIS SPACE IS FOR BANK ENDORSEMENTS ONLY.

Voucher No. 2.—The amounts of this voucher are transferred to the second line of the Voucher Record. As the invoice is paid by a note, Bills Payable is credited in the "Journal Column." Proper entries are also made in the explanation columns for payments, at the right-hand side of the book. As the purchase has been paid by note, the voucher should be receipted and then filed.

VOUCHER CHECK

Boston TANNING COMPANY

PAY TO American Merchandise Company,

ADDRESS Cincinnati, Ohio.

IF NOT CORRECT, RETURN WITHOUT ALTERATIONS AND STATE ERROR.

80	Kip Skins, 960#	4¢			38	40		
120	Sheep "	27¢			32	40		
20	cds. Tan Bark	8.40			168			
1	brl. Lime	90¢		90				
1	" Lime	80¢		80	1	70		
500	# Tallow	5¢			25		265	50

EXAMINED AND ENTERED ON VOUCHER RECORD BY C. J. A. 6/22 1909

APPROVED FOR PAYMENT BY W. B. Phillips

RETURNED AND CHECKED BY B

VOUCHER NO. 2.

AMT. OF CHECK, $265.50

CASHIER'S RECORD

DISTRIBUTION OF CHARGES

Kip Skins	38	40
Sheep "	32	40
Tan Bark	168	
Lime	1	70
Tallow	25	

Voucher No. 3.—The amounts of this voucher will be found properly entered on the third line of the accompanying Voucher Record. As the invoice is paid for by a draft on W. E. Fowler, he is credited in the Journal column. The proper entries are also made in the explanation columns for payments, at the right-hand side of the book. This voucher should also be receipted in due form, and permanently filed.

VOUCHER CHECK

Boston TANNING COMPANY

PAY TO American Merchandise Company,

ADDRESS Cincinnati, Ohio.

IF NOT CORRECT, RETURN WITHOUT ALTERATIONS AND STATE ERROR.

30	Hides, 2379#	2-1/2¢	59	48				
20	" 1586#	2-1/4¢	35	68	95	16		
10	Kip Skins, 120#	2-3/4¢			3	30		
40	Sheep "	22¢			8	80		
20	cds. Tan Bark	7.10			142			
1	brl. Lime	90¢				90	250	16

EXAMINED AND ENTERED ON VOUCHER RECORD BY C.J.A. 6/3- 1907

APPROVED FOR PAYMENT BY W.B.Phillips

RETURNED AND CHECKED 6/10 By. B

VOUCHER NO. 3.

AMT. OF CHECK, $ 250.16

CASHIER'S RECORD

DISTRIBUTION OF CHARGES

Hides	95	16
Kip Skins	3	30
Sheep "	8	80
Tan Bark	142	
Lime		90

ILLUSTRATION No. 4

BOSTON TANNING COMPANY

26-28 Main Street East BOSTON, MASS.

REMITTANCE VOUCHER

To AMERICAN MERCHANDISE COMPANY

Address

Date of Invoice	DESCRIPTIVE DETAILS		AMOUNT		CHARGE TO
19	*Invoice as Rendered,*				
Aug.	100 Hides	3 1-4c	254	31	A
	20 Brls. Salt	75c	15	00	H
	40 Gals. Fish Oil	25 1-2c	10	20	K
	50 Gals. Prime Fish Oil	30c	15	00	K
	40 Cd. Tan Bark	7.20	288	00	F
			582	51	

Correct H.B.B. | Audited W.B.P. | Approved for Payment L.G.N. Treas.

Received payment in full of the above Oct. 4 19 $ 582.51

Please sign and return American Merchandise Co.

Voucher No. 1

ILLUSTRATION No. 5
(This illustrates the inside of No. 6)

CLASSIFICATION VOUCHER

RECEIPTS ATTACHED		AMOUNT		CHARGE TO
100 Hides	3½c	254	31	A
20 Brls. Salt	75c	15	00	H
40 Gals. Fish Oil	25½c	10	20	K
50 Gals. Prime Fish Oil	30c	15	00	K
40 Cd. Tan Bark	7.20	288	00	F
		582	51	

Correct	Audited	Approved for Payment
E. J. G.	W. B. P.	C. C. Treas.

ILLUSTRATION No. 6
(This represents the outside of No. 5)

Acct No.	Classification	Amount
	F	288 00
	G	
	H	15 00
	I	
	J	
	K	25 20
	L	
	M	
	N	
	O	
	TOTAL,	582 51

FOLD HERE

Voucher No. 1

BOSTON TANNING CO.

VOUCHER IN FAVOR OF

AMERICAN MERCHANDISE CO.

ENTERED DISBURSEMENT'S RECORD

Folio 94

Date August 19

CLASSIFICATION

Acct No.	Construction and General	Amount
A		254 31
B		
C		
D		
E		

ILLUSTRATION No. 7

(This represents the outside or cover of the voucher. The inside of this cover is blank)

CHARGE	AMT	
19. Calf Skins		
20. Goat Skins		
21. Sheep Pelts		
22. Tan Bark	288	
23. Lime		
24. Salt	15	
25. Bate Material		
26. Tallow		
27. Fish Oil	25	20
28. Caoutchouc		
29. Sulphuric Acid		
30. Iron Filings		
31. Pay Roll { Non Productive / Productive		
32. Depreciation		
SELLING EXPENSE		
32. Salesmen's Salaries and Expense		
33. Commissions		
34. Advertising		
35. Mdse Dis.		
36. Cash Dis.		
37. Returns and Rebates		
SUNDRIES		
Amount	582	51

FOLD HERE

BOSTON TANNING COMPANY

Check No._____ Voucher No. 1

Charged to Acc't_____ 190____

Due for Discount	Acc'ts Payable $____
_____	Less __% Dis. $____
_____	Contra Acc't $____
_____	Check for $____

CHARGE	AMT	
GENERAL EXPENSE		
1. Maintenance of R. E. and Bldg.		
2. Office Fur. and Fix.		
3. Books and Stationery		
4. Printing		
5. Insurance		
6. Taxes		
8. Executive Salaries		
9. Office Supplies		
11. Postage		
12. Telegrams		
13. Telephones		
14. Light		
15. Fuel or Power		
16. Freight, Drayage, Storage		
FACTORY EXPENSE		
17. Hides	254	31
18. Kip Skins		

Illustration No. 5 shows the inside of illustration No. 6. The two make up the Classification Voucher. The Classification Voucher is never sent out, but is retained in the office. The Remittance Voucher, Illustration No. 4 (of which Illustration No. 5 is a carbon duplicate), is the only voucher that leaves the office under the plan of Classification and Remittance Voucher. Retaining the Classification Voucher, it will be seen, preserves all the data of the transaction whether the Remittance Voucher is returned or not. The Classification Voucher is the cover for all related documents, just as Illustration No. 7 shows the cover for all related documents. Both provide for classification on back of cover. The Voucher Check, illustration 8, is generally used with illustration 7. An ordinary check or draft is sent out with a Remittance Voucher.

673. The Petty Cash Book.—The Imprest method of paying petty amounts (explained on pages 85 and 86) is especially applicable to the Voucher System. When the petty cashier's funds

run low, he makes out a Voucher and classifies his payments for which he has receipts or vouchers, on the form of voucher used by the firm, submits his classified voucher to the head cashier, and gets a check for his expenditures, which check added to what he has left on hand brings the amount up to the original allowance for the month.

MODIFIED VOUCHER METHOD

Many business houses approach the Voucher Method of keeping accounts by not opening accounts with creditors.

This is done in either of two ways:

1. When an invoice is received, the bookkeeper or clerk figures the discount at due date, and records on the invoice the discount and the net amount of cash necessary to pay the invoice. The invoice is then filed chronologically, in a Desk Portfolio file, with compartments numbered 1 to 31, allowing enough time for the check to reach the creditor before the discount period expires.

Each morning the bookkeeper examines the number of the file corresponding to the number of the day of the month, and when he comes to the date the invoice is to be paid, he writes and mails the check in payment.

2. The other way is to record the invoice, its due date, discount, and net cash, on the Invoice Register and Tell Tale combined, as explained on pages 42 and 43, and to lay the sheet for the current week on the manager's desk, each Monday morning, or biweekly or monthly as the manager may require.

You can use your Daily Reminder as a Desk Portfolio.

The fact that checks are so universally regarded as receipts, makes this method preferable, in the opinion of many business men, to the full Voucher Method.

One column on the credit side of the Cash Book should be used to record purchases of Mdse, and the total for the day, week or month posted to the debit of Mdse account in the General Ledger.

Both the full Voucher System and the Modified Voucher Method are in high favor with many business men; and, therefore, it seems that it would be well for the learner to have considerable practise in each. Such practise would better prepare the graduate to meet the growing demand for these methods of account keeping.

ILLUSTRATION No. 8

VOUCHER CHECK

No. _____ VR. _____

BOSTON TANNING COMPANY

BOSTON, MASS. _____

PAY TO THE ORDER OF _____

$ _____

_____ DOLLARS

BOSTON TANNING COMPANY

_____

To The Old National Bank
Of Boston, Massachusetts

This Check is in settlement of the invoices and items as shown below:

Date	CFN	Particulars	

The acceptance of this check constitutes a satisfaction and full settlement of all invoices and items included in the above statement. No receipt is required.

(CFN means classification)

CORPORATIONS

GENERAL OBSERVATIONS

Definition.—A Corporation is an artificial person created by law.

Classification.—Corporations are broadly divided into two classes—Public and Private. We shall here consider Private Corporations, or those founded by private individuals and for the general purpose of financial gain.

Corporations Compared with Partnerships.—In general, a corporation differs from a partnership in the following particulars:

1. A corporation is created by law, while a partnership is created by mutual agreement.

2. A corporation may exist only for the purpose especially prescibed by law, while a partnership may be formed for any purpose not forbidden by law.

3. The existence of a corporation is continuous during the period for which it is formed and regardless of the persons who comprise it; a partnership, on the other hand, may be dissolved by the death or withdrawal of any member of the partnership.

4. A member, or stockholder, of a corporation may transfer his interest without affecting the legal status of the corporation; if a partner transfers his interest in the partnership, the partnership is thereby dissolved.

5. The powers of a corporation are limited to those conferred by its charter, while a partnership has all the powers of the persons comprising the firm.

6. The liabilities of the stockholders of a corporation are limited, while, in general, a partner is liable for all the debts of the firm.

7. A corporation is bound only by the contracts authorized by its board of directors; a partnership is generally bound by any contract made in the firm name by any of the partners.

Purpose.—In most States private corporations may be organized only for such purposes as are set forth by the statutes of the State wherein the corporation is formed.

General Outline for the Organization of a Corporation.—The statutes of the different states vary so widely that it is well-nigh impossible to make the directions broad enough to cover all the steps in all the states, but the following will serve as a general guide for the formation of a corporation in most of the states. If the teacher prefers the students to go through the steps of organizing a corporation rather than to assume the organization, the following is a general outline of how to proceed:

1. There should be at least five advanced students, four besides the student that is to conduct the business. Most states require only three incorporators, but in schoolwork it is better to have not fewer than five.

2. The capital stock should be from $25,000 to $50,000.

3. Fill out the Articles of Incorporation, in duplicate, or triplicate (or as many as the law may require), and have your signatures on each paper witnessed. (Usually signatures are acknowledged by some one duly authorized to take acknowledgments, but in this case you may have your signatures witnessed.) After the articles are duly executed, deliver them to your teacher, who will act as Secretary of State, or other officer. See that your articles are accompanied with the necessary filing fee, as required in your state. If the articles are correctly made out, and the necessary amount of money paid in, and the required capital stock subscribed, as called for by the statutes of your state, the teacher will record your Articles of Incorporation, and place his filing stamp on them. You are then required to file one copy with your county recording officer (the county recorder or county clerk,

or whatever officer the statutes of your state require). The purpose of filing these articles of incorporation with both the Secretary of State and the county officer is to give public notice to tax boards and to future creditors.

4. Having your preliminary organization completed, you now call a meeting of all stockholders, for the purpose of organization and for adopting by-laws, electing a board of directors, in accordance with your by-laws, and for the purpose of transacting any other business that may be needful to complete the organization. The usual parliamentary procedure is observed in conducting these preliminary meetings until the permanent organization is arranged for. It is usual to name Roberts' Rules of Order or Cushing's Manual to govern in all cases of dispute. Adopt by-laws, and elect directors at this preliminary meeting of the stockholders. When directors are elected and other necessary business transacted, the meeting is adjourned to meet according to the directions set out in the by-laws.

5. The minutes of stockholders' meetings should be kept separate and apart from the record of directors' meetings. Make a copy of the Articles of Incorporation and of the by-laws, in the Minute Book. Minutes of all stockholders' and directors' meetings, and also all meetings of executive and other committees must be kept in the Minute Book.

6. As soon as possible, the newly elected board of directors should meet and organize by electing a permanent President, a Vice-President, a Secretary, and a Treasurer, in accordance with the by-laws, and the statutes of your state. The board of directors is the governing body of a corporation; and generally the stockholders have little to say as to how the business shall be conducted. In some states, however, a majority of the stockholders may dismiss the directors for cause.

The President is the executive officer, the Secretary has charge of the corporate records and the seal. The Treasurer is custodian of and has charge of all money and valuable papers belonging to the company. The officers issue stock certificates. The directors elect a general manager or other subordinate officers to perform various duties in connection with the conduct of the business. The officers act under the general direction of the board of directors. The general manager usually selects the bookkeeper.

7. Having properly attended to all these preliminary matters, the company is ready to open the corporate and the account books as soon as the statutes permit. The Treasurer should deposit the company's money in bank to be paid out as the by-laws may direct.

Articles of Incorporation.—The instrument by which a private corporation is formed is called "Articles of Incorporation." These are agreed upon by the persons forming the corporation, and in most of the States the following essentials are required to be set forth:

1. Name of corporation.
2. Purpose for which it is formed.
3. Place in which business is to be done.
4. The time during which the corporation is to exist.
5. Amount of capital stock.
6. Amount of stock actually subscribed, and by whom.
7. The number of shares into which the stock is to be divided.
8. The amount of paid-up capital. The law requires that this must be a certain amount, or a certain per cent of all the capital stock. In some States additional facts are required to be set forth.

The Charter.—In most States, the statute permitting the organization, and the Articles of Incorporation effecting the organization, taken together, constitute the corporation's charter. These confer and define the company's rights and powers. In a few States, however, the Charter is a formal document issued by a State officer certifying the organization of the corporation, and usually mentioning its name, powers, purposes and duration.

Powers of Corporations.—Among these are

1. The right of the corporation to exist for the period prescribed in its charter.
2. To sue and be sued in the corporation name the same as a natural person.
3. To purchase such lands or chattels as may be necessary for carrying on the business of the corporation; also the right to mortgage such lands or other property.
4. To possess a common seal to be used in the execution of the corporation documents.
5. To adopt a code of by-laws not inconsistent with the charter of the corporation, or with the constitution and laws of the State in which the corporation is formed.

Duties of Corporations. — The general duties of corporations are prescribed by the laws of the several States. Corporations are usually required to provide for the annual election of their directors upon a specified date, also to give notice to the stockholders of the time and place of holding such election. The elections are usually required to be by ballot, and each stockholder has the right to vote in person or by proxy, being allowed one vote for each share of stock standing in his name as shown by the books of the corporation. In the election of officers, the person voted for who receives the largest number of votes is declared elected.

Corporations are also required to keep a record of their legal acts in books of record provided for the purpose. All books of record of the corporation are required to be open to the inspection of the stockholders of the corporation. In some states this right is abridged by statute.

Liabilities of a Corporation. — Like persons, corporations are liable for the acts of their agents or officers when acting within the scope of their authority. Corporations are liable for trespass committed by their agents or officers if these are acting in the name of the corporation and within the scope of their authority. Corporations are also liable for taxes upon property owned by them, also to individual stockholders for any infringement of their rights occasioned by the acts of the corporation officers or agents.

The individual liability of stockholders for the debts of the corporation varies in the different States. In some, this liability extends to the amount of stock held; in others, to the amount unpaid on the stock held.

The general liabilities of corporations are subject to much variation by the laws of the different States.

Dissolution. — A corporation may be dissolved

1. By the surrender of its charter and its acceptance by the State authorities.

2. By forfeiture of its charter either through violation of its terms or through failure to use its privileges at all.

Upon the dissolution of an insolvent corporation, the property belonging to it is placed in the hands of a person appointed by the courts, called a receiver, who closes up the affairs of the corporation, sells the property, pays the debts of the corporation, and divides the assets, if any remain, among the stockholders.

LEGAL AND OTHER TERMS USED IN CORPORATION BUSINESS

Charter.—This is the written instrument or instruments authorizing a corporation to exercise certain specified privileges, rights, or powers. It is a written evidence of the lawful possession of a franchise.

Franchise. — This is a right, or privilege, granted to individuals or to a corporation by a government, a State, or a public corporation, as a town, city, or county, which right, or privilege, cannot be exercised without the authority of the grantor. The right of a corporation to exist, is a franchise; the powers and privileges granted to a corporation, are a franchise belonging to the corporation itself. A franchise is not a written document, but simply the legal right itself.

Stock Certificates, or Certificates of Stock.—This is a paper usually signed by the president and secretary of the corporation, and issued to each stockholder, in his own name, and certifying to his title to a certain number of shares in the capital stock of the company, and the par, or face value of each share. These certificates are not security for money, neither are they negotiable in the strict sense of the term, although they may be bought and sold like other property. Transfer of title may be effected by endorsement, or by a formal written "Transfer of Stock;" the transfer must be entered on the books of the company to be binding upon the company, although it may be good as between the vendor and the vendee without such entry.

Choice of Stock.—The preferences accorded to preferred stock are based upon contract between the stockholders and the corporation. The terms of the contract are usually printed upon the certificates of the preferred shares. These terms vary greatly in different corporations. Sometimes preferred shares are made "fully participating." That is, after payment of a certain per cent of dividends upon them, they are entitled to share with the common stock, without distinction, in all remaining declared net profits. Again, we find preferred shares made "non-participating;" that is, after payment of a fixed per cent upon them at the dividend periods, they receive nothing more, no matter how great the profits of the concern. Thus, it sometimes happens that a company's preferred stock will be receiving only 6% per annum, while its common stock will be receiving, perhaps, 25% per annum. In that event, the common stock will, of course, be of greater value than the preferred. In general, however, the preferred stock is the more valuable.—Burritt Hamilton, in Practical Law published by Ellis Pub. Co.

Common Stock.—This is stock that is represented by the ordinary certificates issued to stockholders, and is subject to all the conditions of the company's by-laws.

Preferred Stock, Preferred Shares, and Preference Shares.—This is special stock issued by corporations. It is usually issued for the purpose of attracting capital. Preferred stock is entitled to an annual dividend of a certain per cent of the net earnings, before a dividend can be paid on the common stock.

Some companies, on organization, issue different classes of stock for the purpose of effecting immediate sale of a certain portion of the stock, thus enabling them to begin operations at once; and their object in issuing preferred stock is to attract investment.

Sometimes a crisis is reached in the company's affairs, and the old stockholders are unwilling to risk more money in the enterprise, although they may be willing to encourage others to do so by giving them a preference in the profits, which the increased capital may enable the concern to gain. A class of preferred stock is sometimes credited to meet this condition.

Corporations are not allowed to pay dividends from the sale of capital stock. A holder of preferred stock is not a creditor of the company, but is simply a stockholder, and his only advantage is a right to the first dividends that may be declared from profits actually earned. In case these are not sufficient to meet the specified rate of the dividend on the preferred stock, the loss falls upon the holder, and he has no right or claim to be reimbursed from the future earnings of the company, unless his shares are cumulative.

Guaranteed Stock.—This is a class of stock, the holders of which are entitled to a Cumulative Preference Dividend; that is, the holders are entitled to have the shortage of the dividends, if any occurs, made up to them from the future profits before other dividends can be declared on common stock. Stock having this advantage is also called Cumulative Preference Stock, as it has a guaranteed annual dividend which must be paid before any excess of net earnings can be used for any other purpose.

Deferred Stock.—Deferred Stock is that upon which interest or dividends may not be paid until the ordinary stockholder has received a specified dividend per annum. Obligations of this kind resemble perpetual loans upon which interest may be indefinitely postponed. Sometimes the holder of such stock is entitled to a gradually increasing rate of interest up to a specified rate, and when this is reached, the obligations take their place as actual stock. In stock of this class, the owners do not have the rights of the ordinary stockholders, and may take no part in conducting the affairs of the concern.

Non-Assessable Stock.—This stock is exempt from assessment. It may be of any of the previous kinds, and is issued under a contract that, regardless of the financial needs of the corporation, no assessments are to be levied upon it.

Treasury Stock is authorized Capital Stock, either original or reacquired, that has been placed in the Treasury to be sold as directed or authorized by the Board of Managers.

Watered Stock.—This is an issue of stock for which full cash value has not been paid. Such shares are sometimes issued for the purpose of keeping the per cent. of dividends below a certain rate. In some States and under some circumstances, dividends in excess of a certain rate are prohibited. By artificially increasing the capital stock, the percentage may be lowered, and through this evasion of the law, the stockholders may get the same amount in dividends that they would receive were the entire profits divided upon the basis of the original stock.

Capital Stock.—This is the capital of the corporation, and is represented by all of the stock subscribed. For convenience, it is divided into an equal number of shares, usually of twenty-five, fifty, or one hundred dollars each, which shares are owned by individuals called stockholders. The "Authorized Capital Stock" is the whole or nominal capital stock permitted to the corporation and may be much more than the amount of actual property owned by the corporation.

The funds of a corporation may fluctuate; that is, they may be increased by surplus profits or diminished by losses; but the Capital Stock remains the same until changed in accordance with legislative authority. Shares of Capital Stock are usually represented by certificates. These shares may be bought, sold, and taxed like other property. The Capital Stock of a corporation may be taxed as a whole, and the individuals may also be taxed for the shares held by them. Although the shares represent a certain part of the Capital Stock, a holder has no right to the property of the corporation until the latter is dissolved. The only right conferred upon the holders of the shares is the right to their proportion of dividends and profits, and to participate in the making of by-laws, the election of officers, and the alteration of the corporate charter.

Unpaid stock is as much a part of the assets of the corporation as is any other kind of property. The directors of the association are regarded as trustees of the Capital Stock, as represented by the corporation property, although they have no control over the shares which represent it, except those which are still unsold.

Working, or Operating Capital.—This is a specified amount of property, or unsold stock, which is set aside from the paid-up capital, or sum invested in the plant. Sometimes corporations, on organizing, place all the unsold stock to the credit of Working Capital for the purpose of selling, or otherwise disposing of this, when it is necessary to do so for operating purposes. Corporations may be short of necessary funds for carrying on the business after all the stock has been sold and paid for; to avoid assessments in such cases, the stockholders sometimes return a certain percentage of their stock to the company, which is set aside for a working capital, and is sold, to raise the required funds to conduct the business.

Plant.—This term applies to the entire outfit, buildings, land, machinery, tools, fixtures, etc., required for operating the business.

A Stockholder is the owner of one or more shares of Capital Stock, his ownership of these shares constituting him a member of the corporation, and entitling him to as many votes in the election of officers, or in determining corporation affairs, as he may have shares standing to his credit on the corporation books. The subscribers to the stock of a corporation become liable as separate debtors to the company for the par value of the stock subscribed, and this liability may be enforced by suit.

The issue of stock certificates is not necessary to perfect a subscription; all that is necessary is that the subscriber shall have bound himself by subscription or otherwise, to become a contributor to the funds which the Capital Stock represents. The possession of a share of Capital Stock gives the holder the legal right to partake of the surplus profits, and also imposes upon him the duty of paying legal assessments until his stock becomes fully paid.

Voting by Stockholders.—In stockholders' meetings each stockholder is allowed to cast one vote for each share of stock he owns; that is, if Jones owns ten shares of stock he is allowed to cast ten votes on any question for stockholders to determine.

Cumulative Voting.—In some states cumulative voting is allowed by stockholders; that is, if five directors are to be elected, Jones, a stockholder, who holds ten shares may elect to cast his ten votes five times for one director, instead of casting his ten votes once for each of the five directors. This power, it will be seen, will often enable a minority stockholder to elect one director favorable to him and thus protect his interests.

Voting by Proxy.—In most states, a stockholder may vote in person or by proxy, that is to say, he may authorize some one else to vote in his stead, by giving such person written authority to cast his vote.

Quorum to Transact Business.—The by-laws generally specify the number of stockholders or the number of shares to be voted to constitute the legal quorum, that is, the required number of stockholders or number of shares of stock, necessary to transact business.

Voting by Directors.—Directors vote as individuals, each director being entitled to one vote. The fact that some of the directors may be officers does not give them any voting power, as such. A quorum in directors' meetings is generally a majority, the number of shares a director may own having nothing to do with his voting power.

Gross Earnings.—These are the total receipts in money or property that are actually earned by the company.

Net Earnings.—These are the net profits that remain after deducting all actual expenses from the gross earnings.

Dividend.—This is a specified portion of the profits set aside by the directors of a corporation to be divided pro rata among the stockholders. This term is also applied to the sum which any stockholder may receive as the result of such division, and also to the rate per cent. that the whole dividend is of the entire capital stock; thus, we speak of a "Dividend of 5%," meaning that the sum set aside for the dividend is equal to 5% of the entire Capital Stock which is paid up, also that each stockholder's share of this dividend is 5% of the par value of all paid-up shares owned by him.

A dividend may be based upon the rate per cent. that the whole dividend is of the paid-up capital instead of the capital stock; thus, in the case of a capital stock of $80,000 with $20,000 paid up, a dividend of 8% on the paid-up capital would be equal to only 2% on the capital stock.

The rate of dividend may be based upon the paid-up capital stock instead of upon the entire amount of capital stock; thus, if the capital stock were $80,000, of which $20,000 were paid up, instead of declaring a dividend of 2% on the $80,000, a dividend of 8% would be declared on the $20,000. Each stockholder would in this case receive dividends in proportion to the amount of his stock paid up instead of the amount held.

It must be understood that a dividend cannot be legally declared when such dividend would impair the capital stock.

Preferred Dividend.— This is a dividend payable to the holder of preferred stock. See "Preferred Stock."

Stock Dividend.— This is a dividend issued in the form of additional stock, instead of in cash. A corporation may have made large gains in its business, but these gains, instead of appearing as cash, may be in the form of increased value, in the merchandise, plant, or other company property. In order to make this additional value available for a dividend, some of the property of the company must be sold for cash, or else its value may be distributed among the stockholders in the form of increased stock. Issuing a Stock Dividend is a convenient way of accomplishing this.

To Declare a Dividend.— This is an announcement by the officers of the company of their readiness to pay a specified dividend to the stockholders. A dividend is not a corporation debt until it has been duly declared by the directors of the company.

Declaring Dividends.— In general, the declaration of dividends rests with the discretion of the directors of the company. Usually the interests of the corporation are best served by making uniform and regular dividends, according to the legitimate profits of the business. Declaring dividends may be indefinitely postponed ; and unless it appears that a postponement works to the injury of the complainants, a court of equity will not ordinarily interfere.

As a rule, the following financial points should be carefully considered before a dividend is decided upon.

A dividend should be declared upon actual profits, excepting under special circumstances, as in the case of the existence of a surplus fund, when the directors may be justified in doing otherwise.

The amount of available assets should be considered, the amount of present liabilities that must be discharged, contemplated repairs and necessary improvements to be provided for, actual amount of cash on hand, etc.

After having investigated the company's operations, the secretary, for example, may be able to inform the directors that the net profits of the business appear to be three thousand two hundred dollars, which is equal to 8% of the paid-up capital of forty thousand dollars, thus enabling the trustees to declare a dividend of 5%, and place the remainder of the gains in the surplus funds for the purpose of defense against future financial reverses, unforeseen contingencies, bad debts, etc. It may happen in closing the books that a net gain is exhibited, and yet no cash on hand with which to pay the dividends. In this case, the company may be justified in borrowing money with which to declare a dividend.

Dividend Certificate.— This is a certificate setting forth that the holder is entitled to a dividend of a specified amount which has been declared, but which, for some reason, it is not feasible to pay in cash. A Dividend Certificate may or may not bear interest. It is transferred the same as stock, and is sometimes convertible into capital stock. Dividend Certificates are liable to assessment in case the profits are not sufficient to meet the company's liabilities or expenses.

To Pass a Dividend.— This is a failure to declare a dividend at the time when such dividend is usually made.

Fictitious Dividend.— This is an illegitimate dividend that is paid from the capital of the company in the absence of a profit or a surplus fund, from which a legitimate dividend can be declared. In order to declare such dividends, a false showing of profits is often made by arbitrarily raising the inventory on the real estate, plant, merchandise, or other property of the company. The purpose of such forced dividend is usually to deceive the public by making it appear that the company is more prosperous than it really is, and thereby increasing the market value of the shares. Its benefit to the stockholders consists in enabling them to sell their stock for more than it is really worth.

Surplus Fund.— This is an excess of the net profits that may remain after the interest, dividends, expenses, etc., have been paid. This fund may be set aside for the purpose of meeting unforeseen expenditures, such as enlargement of the plant, repair of buildings and machinery, etc., or it may be used in the case of sudden losses, or in the event of an unprosperous season, or for the purpose of keeping up the average per cent. of the dividends. Surplus funds may be large or small, according to the profits of the business, and, of course, may be increased or diminished by varying the percentage declared. See Account, page 160

Reserve, or Contingent Fund.— This is the same as a surplus fund, excepting that it is set aside, or reserved, from the net profits of the business before the declaration of a dividend.

Sinking Fund.— This is a fund set aside from the net proceeds of the business for the purpose of paying an existing obligation, due at some future date, a sufficient sum being put into the sinking fund each year to make a total fund equal to the indebtedness at maturity.

Rest Account.— This account is practically the same as a surplus-fund account, excepting that the

funds credited to it are to be used expressly for the purpose of protecting the corporation against losses, reverses, or other contingencies that may arise in the business.

An Assessment is a tax levied upon each individual stockholder in proportion to the amount of his stock. It is levied by the directors of the company for certain legitimate purposes, such as the payment of expenses, discharge of liabilities, etc. It is levied as a certain per cent. upon the par value of the capital stock.

An Installment is a part payment upon capital stock for which a stockholder has subscribed. Stock may be issued on condition that the installments of a certain fixed percentage of the par value of the stock are to be paid at specified periods, or they may be paid on demand, or at the discretion of the directors of the company, according as the business may develop and more capital be required for operating purposes. The obligation of a stockholder to pay for stock subscriptions is, like any other debt, subject to the statute of limitations. The stock is often sold to the subscriber on condition that, in default of payment of any required installment, the company may take up the stock and sell it at public auction, keeping the amount already paid in by way of forfeiture. Or the defaulted installment may be raised by the company selling as many shares of stock belonging to the delinquent stockholder, as may be necessary to meet the unpaid installment, and the cost of advertising and selling.

The rights of the company as to the collection of delinquent installments are usually regulated by the laws of the State in which the corporation is formed.

When by agreement, installments are to be paid at regularly specified intervals, no formal notice to the stockholders is necessary. When stockholders pay their installments, they receive a simple receipt for the same, signed by the president and secretary, or instead, they may receive regular installment scrip. But, in either case, legal certificates of stock are not issued until the purchase price of the stock has been paid in. Sometimes, however, certificates of stock are issued with the first installment, the certificates stating the rate per cent., and amount of stock that has been paid in. As additional installments are paid, the old certificates are surrendered, and new ones are issued in their place.

Installment Scrip.— This consists of certificates issued to the stockholders for installments paid. After all the stock is paid up, these certificates are ultimately returned to the company and exchanged for a full certificate of stock. Installment scrip is transferable the same as stock.

Par Value.— This is the face, or stated value, of each share of stock. If the shares are issued for one hundred dollars each, this sum is the Par Value. The term "Nominal Value" has the same meaning.

Market Value.— This is the value of stock as determined by its purchase and sale on the market. It may be greater or less than the par value according to the profits and financial condition of the corporation.

Quotations.— These are the published price lists, showing the market value of the various classes of stock that are dealt with in the stock market. Stock quotations are usually published in the financial columns of the leading newspapers.

Stock Exchange.— This is an organization of dealers in various classes of stock, which organization is effected for the purpose of facilitating the purchase and sale of shares. There is a general stock exchange in nearly every large city.

Limited Corporations.—The laws of some States provide for the organization of Limited Associations. Such associations are usually merely corporations under another name. In the case of companies of this character, the word "Limited" is always written or printed on the commercial paper and other documents issued by the company, as "Union Iron Works, Limited."

Double Liability.—United States National Banks are said to be corporations of Double Liability, as the stockholder, in case of the bank's failure, is liable for the amount of his investment plus an assessment equal thereto.

Trust.— A trust is an organization composed of several corporations, and is effected by a transfer by the stockholders of each corporation of a majority of the stock to the control of a central committee, or board of trustees of the trust, who issues in return for the shares transferred certificates to the stockholders, showing that they are entitled to dividends upon the shares transferred. In parting with their stock, the stockholders retain their right to the profits arising from its possession, but they lose the voting power belonging to it, thus placing entire control of the several corporations in the hands of the central committee, or Board of Trustees of the trust.

The formation of trusts in this manner has been forbidden by the United States laws, as well as by the laws of a number of States. Trusts are formed for the purpose of centralizing and unifying the business of

the several corporations composing them. Sometimes these corporations effect the same result by surrendering their charters, and organizing themselves into an entirely new corporation, which has for its capital the united stock of the several corporations forming it.

Syndicate.—This is an association, or combination of individuals, business firms, or corporations, formed for the purpose of promoting some special enterprise, or sometimes, for the purchase of national or municipal bonds, etc. A syndicate is not a permanent organization, but merely a temporary organization of capitalists, individuals, or corporations, for the accomplishment of a single object, the syndicate being dissolved when the object for which it was formed has been accomplished.

Bonus.—A Bonus is a voluntary compensation, valuable concession, or grant, which is given to individuals or corporations, as an inducement for them to engage in some business enterprise of general benefit to the persons conferring the bonus. Thus the merchants of a town, or the town corporation itself, might grant as a bonus, buildings, land, water-power, or even cash, as an inducement to those receiving the bonus, to engage in a manufacturing enterprise within the limits of the town.

Waiver of Notice.—It is customary when stockholders or directors of a corporation wish to hold a meeting at some other date or in some other manner than provided for in the by-laws, to waive the usual notice of such meeting and agree that it shall be held at an earlier date, or at some date other than that specified in the by-laws. The usual form of such waiver is as follows:

WAIVER OF NOTICE—(Of the First Stockholders') Meeting

The subscribers hereto, being all of the stockholders (or directors) of the H. B. Burton Mercantile Company, do hereby waive notice of the (first stockholders') meeting of the said company to be held at ....., in the city of ....., State of ....., on the ..... day of.....19..., at the hour of .....o'clock P. M.; and agree to said meeting being held at ....in the city of ....., State of ....., on the ..... day of..... 19—, at the hour of.....o'clock P. M.

Signed (By all Stockholders or Directors).

By-Laws.—The by-laws are the rules to govern the conduct of the corporation. They must not conflict with the statute laws of the state in which the corporation is established. The following include the points to be covered, but the learner is to understand that the by-laws will be varied to meet the conditions of the business to which they apply :

BY-LAWS OF THE H. B. BURTON MERCANTILE COMPANY

1. *Annual Meeting.*—The annual meeting of the stockholders of this corporation shall be held on the second Tuesday of January (or other date) in each year, at the hour of seven-thirty o'clock P. M., at the office of the said company, in the city of....., or at such other place as shall be selected from time to time by the directors. At each annual meeting these stockholders shall elect, by ballot, a board of .....(state number) directors who shall be stockholders in this corporation, and who shall be elected for a term of one (or more) year, and to hold such office until their successors shall be elected.

2. *Quorum.*—A quorum of stockholders shall consist of the holders of a majority of the capital stock of this corporation at the time outstanding, being present in person or by proxy.

3. *Votes.*—Each share of stock in this corporation issued and outstanding shall entitle the holder thereof, or his lawful representative, to cast one vote on all questions coming before any meeting of the stockholders.

4. *Proxies.*—Stock in this corporation may be voted upon by the holder thereof either in person or by proxy; proxies to be operative must be in writing signed by the president or vice-president and the secretary of this corporation.

5. *Notice of Annual Meeting.*—Notice of the time and the place of holding the annual meeting shall be sent by the secretary of this corporation, by mail, to each stockholder ..... (state number) days prior to the date of holding such meeting.

6. *Special Meeting of Stockholders.*—Special meetings of stockholders may be called by

the president of this corporation, or by a majority of the board of directors, or by the holders of a majority of the capital stock of this company, by filing with the secretary of this corporation a written call for such meeting signed by the persons calling it. Upon receipt of such call, the secretary shall mail one copy to each stockholder in the same manner as provided for in paragraph five of these by-laws.

7. *Meeting of the Board of Directors.*—Meetings of the board of directors shall be held monthly and shall be held at such time and place and in such manner as the board may by resolution prescribe. Or the board of directors may be convened persuant to the call of the president, who shall send each member thereof such notice as he shall deem necessary according to the circumstances.

8. *Quorum of Directors.*—A majority of the board of directors properly convened shall constitute a quorum.

9. *Officers.*—As soon as may be after the annual election of directors for the ensuing year, the board of directors shall convene, and it shall elect from among its members a President, a Vice-President, a Secretary, and a Treasurer. The said board of directors may also appoint such other officers and agents to act by and under the direction of the board of directors as they may see fit.

(Here recite the duties of the president, vice-president, secretary, and treasurer.)

10. *Joinder of Offices.*—Any two of the offices herein provided may be held and exercised by one person.

11. *Vacancies.*—In case of a vacancy occurring in any office or in the board of directors, such vacancy may be filled by appointment of any stockholder in this corporation thereto, which appointment shall be made by a quorum of the board of directors duly convened.

12. *Orders for Payment of Money.*—All checks, drafts, and other orders for the payment of money shall be signed by the president and treasurer of this corporation.

13. *Promissory Note.*—All promissory notes made payable on this corporation shall be executed in the corporation name by the president and treasurer thereof.

14. *Corporate Signature.*—The execution of any instrument made by this corporation may be in the following form:

THE BURTON MERCANTILE COMPANY.

By.....
(Official Designation)

15. *Corporate Seal.*—This corporation shall have a corporate seal, and the secretary shall be the custodian thereof, with full power to affix it to such instruments as shall require its use either by law or by resolution.

16. *Fiscal Year.*—The fiscal year of this corporation shall end on the last secular day of December (or other date) of each year.

17. *Transfer of Stock.*—All transfers of stock in this corporation shall be made upon the corporate books by the holder of the shares in person or by attorney, and shall not be deemed complete and binding upon the company until it shall have been so made, and until the certificate thereof shall have been surrendered to the company and new certificates shall have been issued instead thereof.

18. *Dividends.*—Dividends when earned and declared upon the stock of this corporation shall be payable on the second Tuesday of January (or other date) of each year.

19. *Amendments.*—The stockholders of this corporation may be a majority vote of a quorum present at any annual meeting or at any special meeting for that purpose mentioned in the notice thereof as one of the said meeting's objects, alter, amend, or repeal these by-laws, or any of them.

Two Sets of Books.—The corporation laws of the different States vary so widely that it would not only be useless but unprofitable and a hindrance to the learner for any text to attempt to give all the variations to a class. The student is to understand at the outset that the purpose of a text on corporation bookkeeping is:

1. To set out the general method of presenting corporation accounts and records in account and record form.

2. To set out the relations between the two sets of books in corporation bookkeeping which are: (1.) Books of Account, or the financial books, and account keeping, which will be practically the same as the financial books and the account keeping used in any other similar business. (2.) Corporate Books: such as, Stock Subscription Book, Stock Certificate Book, Stock Installment Book,

Installment Receipt Book, Assessment Book, Stock Journal, Installment Ledger, and Stock Ledger.

The Minute Book is the official record.

The learner is to understand that he is to look to the statute laws of the particular State in which he may be keeping books, and to see that he does not interpret the by-laws in such way as to bring them in conflict with the statute laws of the State in which the corporation is to be conducted.

The Secretary of State in most States will have printed for free distribution a pamphlet or circular on the corporation laws of his State. If the teacher will write the Secretary of State about ten days before taking up the work of corporations, he can, in all probability, secure the corporation laws, with specific directions for their application in his State.

Minute Book.—It is customary to keep a complete and careful record of all of the official acts of a corporation, and a detailed account of all the proceedings of the official meetings, whether of the stockholders themselves or of the Board of Directors. In some States such records are especially required by law. These records are usually kept by the secretary of the corporation, in an ordinary blank book provided for that purpose, and called a Minute Book.

The president of the corporation, who is also usually president of the Board of Directors, presides at all meetings, or in his absence this duty may be performed by the vice-president.

The procedure at corporation meetings is the same as that of public gatherings generally, and is governed by ordinary parliamentary usage.

The following minutes of the first two meetings of the Union Iron Works will illustrate the proper method of making the required records:

Minute Book of the Union Iron Works

Cincinnati, O., Aug. 10, 19—

In accordance with a published call, the subscribers of stock in the proposed corporation, "The Union Iron Works," assembled upon the above date at the private office of I. O. Chapman, 236 Main St., for the purpose of perfecting arrangements for the organization of a corporation.

The following subscribers were present: I. O. Chapman, C. C. Campbell, W. D. Hampton, L. M Goodyear, H. B. Burton.

The meeting was called to order by I. O. Chapman, who briefly stated the purpose of the meeting, concluding his remarks by nominating C. C. Campbell for chairman of the meeting. Mr. Campbell was unanimously chosen, and, on motion, H. B. Burton was appointed to act as temporary secretary.

The chairman then announced that the entire amount of the proposed capital stock, Forty Thousand Dollars, had been duly subscribed, and that a sum equivalent to ten per cent. of this stock had been paid to H. B. Burton, to be held subject to the order of the company.

He also announced that the Articles of Incorporation had been duly prepared, and he suggested that the same be read by the secretary, which was done. After some discussion, the Articles of Incorporation as read by the secretary, were, on motion, unanimously adopted.

Upon motion of W. D. Hampton, the meeting, by unanimous vote, instructed Mr. H. B. Burton, secretary *pro tem.*, to cause the articles of incorporation to be filed with the Secretary of State, and that Mr. Burton, also, in behalf of the company, take all necessary steps to secure the legal organization of the corporation.

Upon motion of L. M. Goodyear, it was resolved that the chairman appoint a committee of three subscribers, to prepare a code of by-laws for the government of the corporation, and said committee to make its report at the next meeting. The following committee was appointed to prepare such code of by-laws: L. M. Goodyear, I. O. Chapman, H. B. Burton.

After some further informal discussion of corporation affairs, the meeting adjourned to Saturday, Aug. 17, 19–, upon which date the permanent organization is to be effected.

Signed,

H. B. Burton, *Secretary pro tem.*

Approved,

C. C. Campbell, *Chairman pro tem.*

Note.—After the minutes have been approved at a subsequent meeting, they should be countersigned by the president as above.

CINCINNATI, O., AUG. 17, 19—

On the above date, an adjourned meeting of the subscribers to the stock of the proposed corporation, "The Union Iron Works," was held at the private office of I. O. Chapman, 236 Main St. The following persons were present: I. O. Chapman, C. C. Campbell, W. D. Hampton, L. M. Goodyear, H. B. Burton.

The meeting was called to order by the chairman *pro tem.*, C. C. Campbell.

The minutes of the previous meeting were read and approved.

The chairman then announced that the articles of incorporation had been filed with the State authorities in accordance with law.

Mr. L. M. Goodyear, of the committee appointed at the previous meeting to prepare by-laws for the government of the corporation, then presented the report of said committee.

After some discussion, the report of this committee was, with some alterations, unanimously adopted, and the secretary was instructed to transcribe the by-laws as adopted, in a book to be provided for this purpose.

Upon motion, the meeting then proceeded to the election of the permanent officers, as required by the by-laws of the corporation. The following officers were chosen by ballot, to serve for one year from the date of their election: —

President — I. O. Chapman. *Vice-President* — C. C. Campbell.
Secretary and Accountant — H. B. Burton. *Treasurer* — L. M. Goodyear.
General Manager — W. D. Hampton.
Directors — I. O. Chapman, C. C. Campbell, H. B. Burton, L. M. Goodyear, and W. D. Hampton.

The meeting then adjourned subject to the call of the president.

Signed,

H. B. Burton, *Secretary.*

Approved,

I. O. Chapman, *President.*

REGULAR MEETINGS

After a corporation has been duly organized, the regular meeting of the stockholders usually occurs but once a year, but special meetings may be called at any time by the president or directors of the corporation.

The affairs of the corporation are then under the control of the Board of Directors, and the by-laws usually provide for the regular meetings of this board.

The secretary of the corporation is usually also the secretary of the Board of Directors.

The following will illustrate the usual method of recording the minutes of the regular meetings of the directors after a corporation has been duly organized.

MINUTES OF A REGULAR MEETING OF THE DIRECTORS OF THE UNION IRON WORKS

DETROIT, MICH., Aug. 30, 19—

The regular meeting of the directors of the aforesaid company was held at the company's office upon the above date, the following officers and directors being present: President, I. O. Chapman; Secretary, H. B. Burton; Directors, C. C. Campbell, L. M. Goodyear, W. D. Hampton.

The minutes of last meeting were read and approved.

Director H. B. Burton offered the following resolution, which, after some discussion, was, on motion, duly adopted:

Resolved, That the president and secretary be and are hereby authorized to issue notes of this company to Messrs. I. O. Chapman and C. C. Campbell respectively, for all personal property turned over by each to this company, in excess of the amount necessary to cover their subscriptions to the capital stock of this company

Secretary H. B. Burton announced his intention of being temporarily absent from the city, and suggested that a temporary secretary should be chosen to attend to the duties of that office during the secretary's absence. On motion of Director F. R. Ott, Director Robert Long was selected to act as such temporary secretary.

On motion, the Board of Directors then adjourned until the next regular meeting.

Approved,

H. B. BURTON, *Secretary.*

JOHN ALEXANDER, *President.*

STOCK SUBSCRIPTION BOOK

The Stock Subscription Book is simple in its construction and use, and generally contains a printed contract at the top of each page, which constitutes an agreement between the company and the stockholders that the latter will receive and pay for the stock subscribed. The act of signing this book, alone, is sufficient to make each subscriber personally liable to the company for the par value of the stock for which he has subscribed.

This book is opened for subscriptions as soon as the formation of the company has been decided upon. The stock may all be subscribed at once, in which case this book will be closed against further subscription; or the stock may be only partially subscribed at the time of organizing, the Stock Subscription Book remaining open indefinitely for additional subscriptions.

When the membership of a company is limited to a small number of subscribers, and when transfers of stock are not likely to occur, the Stock Subscription Book may be dispensed with, the record of subscriptions being kept on a Subscription Sheet, which is preserved with the other documents of the corporation. An ordinary sheet of journal paper may be used for a Subscription Sheet, it being ruled similar to the Stock Subscription Book. Under some circumstances, when a partnership is organized into a stock company, no formal subscription of stock is necessary.

STOCK SUBSCRIPTION BOOK

We, the undersigned, do hereby subscribe for and agree to take the number of Shares of Capital Stock at Par value in the Union Iron Works (Limited) set opposite our respective names.

DATE	NAME	ADDRESS	NO. OF SHARES		Am't in Dollars
19					
Aug. 1	I. O. Chapman	Cincinnati	One hundred	100	10,000
	C. C. Campbell	"	One hundred fifty	150	15,000
	W. D. Hampton	Cleveland	Seventy-five	75	7,500
	L. M. Goodyear	Toledo	Fifty	50	5,000
	H. B. Burton	Cincinnati	Twenty-five	25	2,500

STOCK CERTIFICATE BOOK

The Stock Certificate Book is a book of prepared certificates and corresponding stubs, in the form of an ordinary note or draft book. These certificates are properly filled out, and signed by the president and secretary of a company, and then issued to each subscriber in his own name, as evidence of his title to the within described number of shares in the capital stock of the company. Some companies prefer to have their certificates so arranged as to show the amount, or per cent., actually paid in on the stock, and when an additional installment is paid, the old, or first certificate is taken up and a new one is issued in its place, including all payments. Another method is to have a sufficient number of blank lines across the left-hand end on the back of the certificates, to admit a record of the specified number of installments to be paid. These lines should be filled out in the order of the payments, and each of these indorsements should be signed by the secretary of the company.

The stub usually contains a receipt for the certificates of stock issued, which receipt the stockholder is expected to sign when he receives the certificate. In the following form of certificate, the statement included in brackets on the stub is to be used only when the certificate is issued in making a transfer of stock where an old certificate is taken up. It should be canceled, or marked out, when the certificate is issued for original shares.

When a certificate of stock is sold or transferred, it should be indorsed across its face by the person making the transfer, as follows: "Transferred in favor of M. J. Pease, Jan. 10, 19– L. M. Goodyear."

In case only a part of the stock is transferred, then the old certificate should be indorsed as follows: "Transferred ten shares of the within stock to J. E. Martin, Nov. 20, 19– John Smith."

No. 1

100 Shares.

Sept. 1, 19....

Issued to I. C. Chapman.

FOR TRANSFERS ONLY.

This Certificate is issued on account of canceled Certificate No.....

Received the above-described Certificate.

.....19.....

.....

.....

STOCK CERTIFICATE

Capital, $ 40,000. No. 1. Shares, 100 $ 100 Each.

Cincinnati, Ohio, Sept. 1, 19—.

This is to Certify that I. C. Chapman is entitled to One Hundred shares of One Hundred Dollars each, in the Capital Stock of the Union Iron Works which is transferable only on the Books of said Company in person or by Attorney, upon surrender of this Certificate.

H. B. Burton, Secretary, I. C. Chapman, President.

The following represents the back of a certificate of stock, giving a special power of attorney to be filled out by the stockholder, when he desires to place his stock in the hands of another person for sale.

Know all men by these Presents, That I, the undersigned, do hereby irrevocably constitute and appoint.....to be my true and lawful Attorney, for me and in my name and behalf to sell, assign, and transfer to .....or any person or persons..... Shares of the Capital Stock of the..... and for that purpose to appoint a substitute or substitutes with like full powers.

IN WITNESS THEREOF, I have hereunto set my hand and seal this .....day of.....nineteen hundred.....

..... Sealed and delivered in the presence of

.....

.....

ARTICLES OF INCORPORATION

Of Union Iron Works

We, the undersigned, desiring to become incorporated under the provisions of the statutes in such cases made and provided, do hereby make, execute, and adopt the following articles of association; to wit:

ARTICLE I

The name assumed by this corporation, and by which it shall be known in law, is

Union Iron Works

ARTICLE II

The purpose or purposes of this corporation are as follows:

The manufacture and sale of steam engines and boilers

ARTICLE III

The capital stock of the corporation hereby organized is the sum of Forty Thousand dollars, and the number of shares thereof is four hundred

ARTICLE IV

The amount of said stock actually paid in at the date hereof is the sum of Forty Thousand dollars, being 100 per cent. of said capital stock.

ARTICLE V

The operations of this corporation are to be carried on in the county of Hamilton State of Ohio and the office for the transaction of business, within the State of Ohio, shall be kept at No. 218 Clark St., Cincinnati

ARTICLE VI

The term of existence of this corporation is fixed at fifty years from the date hereof.

In Witness Whereof, *We, the parties hereby associating for the purpose of giving legal effect to these articles, have signed our names, our places of residence, and the number of shares of stock held by each in the Signature Book of this Company.*

State of Ohio } *SS.*
County of Hamilton }

On this Tenth *day of* August *19*—, *before me a* Notary Public, *in and for said County, personally appeared* J. O. Chapman, C. C. Campbell, W. D. Kampton, L. M. Goodyear, and W. B. Burton,

known to me to be the persons who are named in, and who executed, the foregoing instrument and severally acknowledged that they executed the same freely, and for the intents and purposes therein mentioned.

Henry A. Patterson,
Notary Public.

ARTICLES OF INCORPORATION
— OF —

OPENING CORPORATION BOOKS

The methods of opening corporation books are by no means uniform. Different methods may be employed by different accountants, and the methods will vary with the peculiarities, or special requirements, of the business in which the corporation is engaged. We give herewith a number of standard methods of opening that are adapted to the varying requirements of corporation business.

The explanatory opening entry ordinarily used in the books of a single proprietor or a partnership business, is not employed on opening the Journal of a corporation, as the subject matter of the opening entry is found in the Charter, Minute Book, By-laws, etc., of the corporation.

OPENING ENTRIES

I. O. Chapman, C. C. Campbell, W. D. Hampton, L. M. Goodyear, and H. B. Burton have organized a stock company, with a Capital Stock of $40,000, divided into 400 shares of $100 each, for the purpose of manufacturing steam engines, under the corporate name of "Union Iron Works," at 218 Clark street, Cincinnati, O.

Opening Entry No. 1

I. O. Chapman, 100 shares at $100	$10,000	
C. C. Campbell, 150 " " "	15,000	
D. W. Hampton, 75 " " "	7,500	
L. M. Goodyear, 50 " " "	5,000	
H. B. Burton, 25 " " "	2,500	
Capital Stock		$40,000

For nominal amount of the Capital Stock of the "Union Iron Works," organized this date upon the basis of $40,000, divided into 400 shares of $100 each, and issued to the incorporators at par value.

In the above opening entry, the original subscribers are debited for the amount of the subscription, and the Capital Stock is credited for the entire amount, which is the nominal value of the Capital Stock, until the stock subscriptions are all paid, when it becomes real, or paid-up capital. An entry in the above form would not be employed in case there was a large number of stockholders.

Other forms of opening entries would serve as well as those here given. The principal purpose of the opening entry is the crediting of Capital Stock for its nominal value, at the time of organizing the corporation.

When it is not desired to debit each stockholder in the General Ledger for the entire amount of his subscription, any one of the following opening entries would be suitable, although the subscribed stock may or may not be paid for.

Opening Entry No. 2

Stockholders	$40,000	
Capital Stock		$40,000

For nominal amount of the Capital Stock of the "Union Iron Works," incorporated upon the basis of $40,000 Capital Stock, divided into 400 shares of $100 each, and issued at their par value to the incorporators and associates, as per Subscription Book.

Opening Entry No. 3

Franchise	$40,000	
Capital Stock		$40,000

For the amount of Capital Stock of the "Union Iron Works," incorporated upon the basis of $40,000 Capital Stock, divided into 400 shares of $100 each, and issued to the incorporators at par value, as per Subscription Book.

OPENING ENTRY No 4

Contingencies	$40,000	
Capital Stock		$40,000

For nominal amount of Capital Stock of the "Union Iron Works," incorporated upon the basis of $40,000 Capital Stock, divided into 400 shares of $100 each, and issued at their par value to the incorporators and associates, as per Subscription Book.

OPENING ENTRY No 5

Unpaid Capital	$40,000	
Capital Stock		$40,000

For nominal amount of Capital Stock of the "Union Iron Works," incorporated upon the basis of $40,000 Capital Stock, divided into 400 shares of $100 each, and issued at their par value to the incorporators and associates, as per Subscription Book.

OPENING ENTRY No 6

Certificates of Stock	$40,000	
Capital Stock		$40,000

For nominal amount of Capital Stock of the "Union Iron Works," incorporated upon the basis of $40,000 Capital Stock, divided into 400 shares of $100 each, and issued at their par value to the incorporators and associates, as per Subscription Book.

OPENING ENTRY No 7

Subscription	$40,000	
Capital Stock		$40,000

For nominal amount of Capital Stock of the "Union Iron Works," incorporated upon a basis of $40,000 Capital Stock, divided into 400 shares of $100 each, and issued at their par value to the incorporators and associates, as per Subscription Book.

The following opening entries (8 and 9) show how the books should be opened when it is desired to keep an account with Treasury Stock, which should represent at all times the par value of the unsold stock.

OPENING ENTRY No 8

Franchise	$40,000	
Treasury Stock	10,000	
Capital Stock		$50,000

For nominal amount of the Capital Stock of the Globe Furniture Co., organized upon a basis of $50,000 Capital Stock, divided into 1,000 shares of $50 each, of which 800 shares are subscribed for upon organizing, the remaining 200 shares being held as Treasury Stock, to be sold when necessary for operating purposes.

ENTRIES FOR THE SALE OF TREASURY STOCK WHEN THE TREASURY STOCK ACCOUNT HAS BEEN DEBITED IN THE OPENING ENTRY

Sold at Par.— When any of the Treasury Stock is sold at its par value, make one of the following entries :

1. If it is paid for in full, debit Franchise and credit Treasury Stock; then debit Cash and credit Franchise.

2. If it is not paid for when sold, the above entries may be omitted until such times as payments are made. This plan would undoubtedly be preferable in cases where the original stockholders were not debited for their subscription.

3. Or, if preferred, when the stock is not paid for at the time of the sale, the buyer may be debited and Treasury Stock credited; but when it is paid for, debit Cash and credit the buyer.

Sold at a Premium.— When any of the Treasury Stock is sold at a premium, make one of the following entries :

1. If it is paid for in full, debit Franchise and credit Treasury Stock for the par value of the stock only; then debit cash for the full amount received and credit Franchise for the par value of the stock only; and then credit Stock Premium and Discount for the amount of the premium.

2. If it is not paid for when sold, the above entries may be omitted until such times as payments are made.

3. Or, if preferred, when the stock is not paid for when sold, the buyer may be debited for the purchase price of the stock, and Treasury Stock credited for the par value of the stock only ; and then credit Stock Premium and Discount for the amount of the premium; but when it is paid for, debit Cash and credit the buyer.

Sold at a Discount.— When any of the Treasury Stock is sold at a discount, make one of the following entries :

1. If it is paid for in full, debit Franchise and credit Treasury Stock for the par value of the stock then debit Cash for the amount received, and debit Stock Premium and Discount for the amount of the discount, and credit Franchise for the par value.

2. If it is not paid for when sold, the above entries may be omitted until such times as payments are made.

3. Or, if preferred, when the stock is not paid for in full when sold, debit the buyer for the purchase price of the stock, and Stock Premium and Discount for the amount of the discount, and credit Treasury Stock for the par value of the stock; and when paid for, debit Cash and credit the buyer.

The following entries are given to illustrate the necessary journal entries to be made when Treasury Stock is sold at a discount :

Franchise	$2,500	
Treasury Stock		$2,500
For the par value of 25 shares of Treasury Stock sold to E. B. Reed at a discount of 5%, and paid for as per the following entry :		
Cash per C. B., p. 6	$2,375	
Stock Premium and Discount	125	
Franchise		$2,500
For payment of 25 shares of Treasury Stock sold to E. B. Reed at a discount of 5%.		

Forfeited Stock.— It is quite frequently the case that stock is forfeited to the company on account of delinquent payments. The by-laws of some companies provide for delinquent payments by requiring the stockholder to surrender the stock in favor of the company, thus forfeiting his right and title to the stock, and losing all he has paid on it. But most companies advertise the stock upon which there are delinquent payments, to be sold at public sale. The balance which remains after paying the delinquency, advertising, and cost of sale, is returned to the stockholder.

The entry to be made for a transaction of this kind depends entirely upon the style of entry that was used in opening the books.

If the books were opened by debiting Franchise and Treasury Stock and crediting Capital Stock, we would debit Treasury Stock and credit Franchise for the par value of the stock only; then we would debit Franchise and credit Forfeitures for the amount that had been paid on the stock.

If a plain journal entry was used, for instance,

Franchise	$40,000	
Capital Stock		$40,000

then we would debit Franchise and credit Forfeitures for the amount that had been paid on the stock.

Stock Journal

DATE. 19	ISSUED IN FAVOR OF	NEW CERTIFICATE ISSUED. Ledger Folio Gen.	Stock.	No. of Cer. Issued	No. Shares Owned.	To'l No. Shares Sold.	SIGNATURE OF SURRENDERER (Subject to By-laws of Company.)
Sept. 1	I. O. Chapman	4	1	1	100		
"	C. C. Campbell	5	1	2	150	5	C. C. Campbell
"	W. D. Hampton	6	1	3	75	5	W. D. Hampton by T. Selvage
"	L. M. Goodyear	7	2	4	50		
"	H. B. Burton	4	2	5	25		
10	G. B. Hess	1	2	6	5		
20	John McKelvy	2	3	7	5		

Stock Journal, or Transfer Book.— This book contains a record of all the stock transferred by the individual stockholders to other parties. There are various forms in general use, some of which admit only a record of the stock actually transferred, while the more improved forms, as the one herewith given, permit a full enrolment of all the original stock issued. All transfers of stock must be first entered in this book; that is, the original entries for all transfers of stock are made in this book *only*, and *not* in the ordinary Journal. All entries in the Stock Journal are posted direct to the Stock Ledger. The General Ledger folios are entered in this book as a matter of convenience only. The Stock Journal must be signed by the party transferring the stock, or by his legal representative.

Use of the Stock Journal.— Enter in this book all stock issued at the time of organizing or thereafter, the same as the first five entries are entered on the accompanying form of Stock Journal. The last two entries represent stock that has been transferred. The ledger folio columns on the debit side of the book are used in posting the entries at the time of issuing the stock, and those on the credit side are used at the time of transferring the stock.

CASH BOOK

Aug. 1, 19–				Aug. 1, 19–			
19– Aug.	1	I. O. Chapman in full 100 shares.....	10,000	19– Aug.	1	Expense, rent one month.....	125
	2	C. C. Campbell " 150 "	15,000			" Wood, 7.00 ; Coal, 15.00.....	22
	3	W. D. Hampton " 75 "	7,500		2	Machinery and Tools.....	12,500
	4	L. M. Goodyear " 50 "	5,000			Steam Engines, raw material, Inv. 240	15,000
	5	H. B. Burton " 25 "	2,500		3	Steam Engines, mfg. expenses.....	4,350
		Steam Engines closed out	22,900		10	Div. No. 1 to I. O. Chapman.....	500
	10	Machinery and Tools closed out... ...	13,900			" " " C. C. Campbell.	750
	30	Franchise, W. S. Hull in full 220 shrs.	11,000			" " " W. D. Hampton.....	375
		" J. B. Coon " 210 "	10,500			" " " L. M. Goodyear.....	250
		" W. B. Brown " 100 "	5,000			" " " H. B. Burton	125
		" R. D. Munn " 100 "	5,000			**Entry for Closing the Business**	
		" H. B. Burton " 80 "	4,000		30	Capital Stock, I. O. Chapman.....	11,200
		" E. B. Reed " 100 "	4,750			" " C. C. Campbell	16,800
						" " W. D. Hampton	8,400
						" " L. M. Goodyear	5,600
						" " H. B. Burton.....	2,800

Stock Journal

DATE.	BY WHOM SURRENDERED.	CERTIFICATE CANCELED.				LEFT WITH THE COMPANY BY
		Ledger Folio.		No. of Cer. Canc'l'd.	No. Shares Sold.	
		Gen.	Stock.			
19						
Sept. 10	C. C. Campbell	5	1	2	5	C. C. Campbell
20	W. D. Hampton	6	1	3	5	T. Selvage, Attorney

Stock Ledger.—The Stock Ledger, in reality, is an auxiliary book which is in no way directly connected with the principal books of the business. It should contain each stockholder's name and address, a full and complete record of all the stock issued and transferred, show who the present stockholders are, and the number and par value of shares held by each.

A Stock Ledger that has debit and credit money columns is quite suitable for those companies that have a limited number of stockholders, who are not likely to dispose of their stock. If the money columns are used and transfers of stock are made on the company's book before the subscribed stock has been paid in full, the following procedure must be observed: Credit the stockholder who is disposing of the stock, for the actual balance due on the stock transferred, and debit the new stockholder who received the stock for the same amount. When the stock has been paid up in full, the money columns should be in balance, and should be ruled up, as they are never used thereafter in transferring stock. The transfer columns provide for the transfers without any amount in dollars being entered. However, these money columns may be brought into use again when assessments are made, if it is desired to debit each stockholder for the amount of his assessment, and credit him for the same when paid. This description of the Stock Ledger applies directly to the form accompanying this article. There are various other forms and customs used in keeping the Stock Ledger, but the main value of the book is in avoiding the trouble of keeping separate accounts in the General Ledger for stockholders that frequently dispose of their shares.

Description of Stock Ledger Entries

The accounts on page **178** show that I. O. Chapman, C. C. Campbell, W. D. Hampton, L. M. Goodyear, and H. B. Burton have been charged with the amount of their respective subscriptions, these amounts being posted from the Stock Journal.

The last entry in each account on page **179** shows that the individual stockholders have paid for the amount of stock subscribed as per the accounts on page **178.**

The accounts of I. O. Chapman and W. D. Hampton on page **180** show transfers of stock to G. B. Hess and John Mc Kelvy.

The account of S. L. Osborn on page **180** shows a variety of debits and credits which are self-explanatory.

These entries are given merely as examples, the transactions not being recorded in the other books.

STOCK LEDGER

J. O. Chapman

DATE		Stock Journal Folio	Cer. No.	Trans. No.	No. of Shares Issued	No. of Shares Trans.	TO WHOM TRANSFERRED AND OTHER EXPLANATIONS	DEBIT	CREDIT
19–									
Sept.	1	1	1		100		For 100 shares of $100 each	10,000	

C. C. Campbell

DATE		Stock Journal Folio	Cer. No.	Trans. No.	No. of Shares Issued	No. of Shares Trans.	TO WHOM TRANSFERRED AND OTHER EXPLANATIONS	DEBIT	CREDIT
19									
Sept.	1	1	2		150		For 150 shares of $100 each	15,000	

W. D. Hampton

DATE		Stock Journal Folio	Cer. No.	Trans. No.	No. of Shares Issued	No. of Shares Trans.	TO WHOM TRANSFERRED AND OTHER EXPLANATIONS	DEBIT	CREDIT
19–									
Sept.	1	1	3		75		For 75 shares of $100 each	7,500	

L. M. Goodyear

DATE		Stock Journal Folio	Cer. No.	Trans. No.	No. of Shares Issued	No. of Shares Trans.	TO WHOM TRANSFERRED AND OTHER EXPLANATIONS	DEBIT	CREDIT
19–									
Sept.	1	1	4		50		For 50 shares of $100 each	5,000	

A. B. Burton

DATE		Stock Journal Folio	Cer. No.	Trans. No.	No. of Shares Issued	No. of Shares Trans.	TO WHOM TRANSFERRED AND OTHER EXPLANATIONS	DEBIT	CREDIT
19–									
Sept.	1	1	5		25		For 25 shares of $100 each	2,500	

STOCK LEDGER

A. O. Chapman

DATE		Stock Journal Folio	Cer. No.	Trans. No.	No. of Shares Issued	No. of Shares Trans.	TO WHOM TRANSFERRED AND OTHER EXPLANATIONS	DEBIT	CREDIT
19–									
Sept.	1	1	1		100		For 100 shares of $100 each	10,000	
		C. B.							
	10	9					Payment in full for above stock		10,000

C. C. Campbell

DATE		Stock Journal Folio	Cer. No.	Trans. No.	No. of Shares Issued	No. of Shares Trans.	TO WHOM TRANSFERRED AND OTHER EXPLANATIONS	DEBIT	CREDIT
19–									
Sept.	1	1	2		150		For 150 shares of $100 each	15,000	
		C. B.							
	10	9					Payment in full for above stock		15,000

W. D. Hampton

DATE		Stock Journal Folio	Cer. No.	Trans. No.	No. of Shares Issued	No. of Shares Trans.	TO WHOM TRANSFERRED AND OTHER EXPLANATIONS	DEBIT	CREDIT
19–									
Sept.	1	1	3		75		For 75 shares of $100 each	7,500	
		C. B.							
	10	9					Payment in full for above stock		7,500

L. M. Goodyear

DATE		Stock Journal Folio	Cer. No.	Trans. No.	No. of Shares Issued	No. of Shares Trans.	TO WHOM TRANSFERRED AND OTHER EXPLANATIONS	DEBIT	CREDIT
19–									
Sept.	1	1	4		50		For 50 shares of $100 each	5,000	
		C. B.							
	10	9					Payment in full for above stock		5,000

A. B. Burton

DATE		Stock Journal Folio	Cer. No.	Trans. No.	No. of Shares Issued	No. of Shares Trans.	TO WHOM TRANSFERRED AND OTHER EXPLANATIONS	DEBIT	CREDIT
19–									
Sept.	1	1	5		25		For 25 shares of $100 each	2,500	
		C. B.							
	10	9					Payment in full for above stock		2,500

STOCK LEDGER

C. C. Campbell

DATE		Stock Journal Folio	Cer No.	Trans. No.	No. of Shares Issued	No. of Shares Trans.	TO WHOM TRANSFERRED AND OTHER EXPLANATIONS	DEBIT	CREDIT
19–									
Sept.	1	1	2		150	5	For 150 shares of $100 each	15,000	
		C. B.							
	10	9					Payment in full for the above stock		15,000
		S. J.							
	10	1		6	145	5	Transferred to G. B. Hess		

G. B. Hess

DATE		Stock Journal Folio	Cer. No.	Trans. No.	No. of Shares Issued	No. of Shares Trans.	TO WHOM TRANSFERRED AND OTHER EXPLANATIONS	DEBIT	CREDIT
19–									
Sept.	10	1	6			5	Transferred from C. C. Campbell	Paid	

W. D. Hampton

DATE		Stock Journal Folio	Cer. No.	Trans. No.	No. of Shares Issued	No. of Shares Trans.	TO WHOM TRANSFERRED AND OTHER EXPLANATIONS	DEBIT	CREDIT
19–									
Sept.	1	1	3		75	5	For 75 shares of $100 each	7 500	
		C. B.							
	10	9					Payment in full for the above stock		7,500
	20			8			Transferred to John Mc Kelvy		

John Mc Kelvy

DATE		Stock Journal Folio	Cer. No.	Trans. No.	No. of Shares Issued	No. of Shares Trans.	TO WHOM TRANSFERRED AND OTHER EXPLANATIONS	DEBIT	CREDIT
19–									
Sept.	20	1	8		5		Transferred from W. D. Hampton	Paid	

S. L. Osborn

DATE		Stock Journal Folio	Cer. No.	Trans. No.	No of Shares Issued	No of Shares Trans.	TO WHOM TRANSFERRED AND OTHER EXPLANATIONS	DEBIT	CREDIT
19–									
Sept.	1	1	5		10		For 10 shares of $100 each	1,000	
		C. B.							
Oct.	1	9					Cr. for 50 per cent. on above stock		500
		S. J.							
Nov.	20	1	7			10	Cr. by transfer of 5 shares to A. L. Morgan		500
		1	8		10		Dr. balance on 10 shares of stock	500	
	25	1	9		20		For 20 shares of preferred stock at 10%	Paid	

BALANCE SHEET OF THE UNION IRON WORKS, DEC. 31, 19–

Capital Stock						40	000	
Cash	62	900				32	000	
Machinery and Tools	12	500						
Steam Engines	19	350				22	900	
Expense		150						
	94	900				94	900	
RESOURCES								
Cash	30	900						
Machinery and Tools	12	300				43	200	
Company's Present Worth						*43*	*200*	
GAINS								
Steam Engines						3	550	
LOSSES								
Machinery and Tools		200						
Expense		150					350	
Company's Net Gain						*3*	*200*	
UNION IRON WORKS								
Capital Stock paid up	40	000						
Net Gain	3	200				43	200	
Company's Present Worth						*43*	*200*	

CLOSING CORPORATION BOOKS

The method of closing corporation books varies with circumstances. The directors may prefer a particular form in closing, or some special form may be required by the by-laws of the company.

In any case, it is necessary to close all accounts that show a profit or loss, to the Loss and Gain account. This is done by Journal entries, as it is especially desirable in corporation bookkeeping that all entries appear in the Journal with full and complete explanation. See the following journal entries:

CLOSING ENTRIES

Steam Engines	$3,550	
Expense		$ 150
Machinery and Tools		200
Loss and Gain		3,200

Entry necessary for closing the loss and gain accounts as per Statement, Dec. 31, 19–.

CLOSING LOSS AND GAIN ACCOUNT

CONDITIONS.— Capital stock, $40,000. Net gain, $3,200, which is disposed of by declaring a dividend of 5% on the Capital Stock and transferring the balance to the credit of a Surplus Fund account.

Close the Loss and Gain account by making either of the following journal entries. We prefer the first one.

ENTRY NO. 1

Loss and Gain	$3,200	
Dividend No. 1		$2,000
Surplus Fund		1,200

For the amount of the first dividend of 5% declared on the Capital Stock, and the remainder of the gain, which remains undivided and is transferred to a Surplus Fund account on closing the books, Dec. 31, 19–.

ENTRY NO. 2

Loss and Gain	$2,000	
Dividend No. 1		$2,000

For the amount of first dividend of 5% declared on the Capital Stock, Dec. 31, 19–.

Loss and Gain	$1,200	
Surplus Fund		$1,200

For amount of undivided gain on closing the books, Dec. 31, 19–.

Dividends.— Before paying the stockholders their dividends, observe the directions given for the use of the Dividend Receipt Book. As each stockholder is paid his dividend, make the required entry in the Cash Book. For example: If I. O. Chapman holds 100 shares and receives a dividend of 5%, an entry should be made on the credit side of the Cash Book as follows: "Div. No. 1, I. O. Chapman, $500." In posting these payments to the Dividend account, enter the respective stockholders' names in the explanation column. See the following Dividend account:

Dividend No. 1

19						19					
Jan.	2	I. O. Chapman	1		500	Dec.	31		1	2	000
		C. C. Campbell			750						
		W. D. Hampton			375						
		L. M. Goodyear			250						
		H. B. Burton			125						

Surplus Fund

						19					
						Dec.	31		1	1	200

DIVIDEND RECEIPT BOOK

Dividend No. 1 of 5%, Declared Dec. 31, 19

Check No.	Name of Stockholders.	No. of Shares.	Am't of Dividend.	Date of Payment.	Signatures of Stockholders.
				19	
6	I. O. Chapman	100	500	Jan. 2.	Paid by check.
7	C. C. Campbell	150	750		"
8	W. D. Hampton	75	375		"
9	L. M. Goodyear	50	250		"
10	H. B. Burton	25	125		H. B. Burton.

Dividend Receipt Book.— This book should contain full and complete data of all dividends declared, giving their date, the dividend number, the stockholders' names, the number of shares held by each, the rate per cent declared, the amount of the dividend in dollars declared to each stockholder, and their signatures, if possible, thus securing their receipt for the payment of such dividends.

In case you are unable to secure the signature of a stockholder on this book at the time of paying his dividend, remit him a check payable to his order, as it will necessitate his indorsement, which will serve as a receipt. In the absence of a stockholder's signature on the Dividend Receipt Book, write in the space designated for his name, "Paid by Check No.—;" giving its date, etc.

This book, like many others used in bookkeeping, is not absolutely necessary; but its use obviates the necessity of depending upon receipts, cashed checks, or other scraps of evidence concerning the dividends that may have been paid long ago. The use of this book will be apparent if you consider the advantage of having, at any time, immediate access to the record of all dividends declared.

There are many well-regulated companies that pay all dividends by issuing to the stockholders a "Dividend Check," which is used for this special purpose only. This method is a very good one, even with the use of the Dividend Receipt Book, and especially so in its absence.

The Installment Book.—This is a book to be used when the subscribed stock is to be paid in installments, and usually at certain regular periods, as may be provided by the by-laws.

The form of the Installment Book herewith given is the one ordinarily used and requires no further description.

A few days before the maturity of an installment, it is usual for the bookkeeper to fill out a sufficient number of pages for the whole number of stockholders who have installments to pay, together with the number of shares, etc., of each. This will make less work when the individual stockholders call to pay their installments.

When stock is paid by installments, the Transfer Book is usually closed against the transfers of stock for five or ten days before the installment is due, the same as in case of an assessment or the paying of a dividend. A stockholder is not allowed to make a transfer of his stock on the company's books until all delinquent installments on his stock have been paid.

Installment Book

Installment No. 1, of 50% Acct. Due *on demand, Feb. 1,* 19

Par Value $*100.* per share.

Stock Ledger Page.	STOCKHOLDER'S NAME	Cer. No.	No. Share	Amount in Dollars	Date of Payment	REMARKS
					19	
	R. W. Bell	6	100	5,000	Feb. 1	Paid by Currency
	C. E. Stuart	7	100	5,000		"
	J. P. Shaw	8	100	5,000	3	"
	W. H. Weber	9	50	2,500		Paid by check 349
	H. B. Burton	10	50	2,500		" 657

CHANGING PARTNERSHIP BOOKS TO CORPORATION BOOKS

A partnership firm which has been conducting a Clock Manufacturing business, under the firm name of Burton, Clark & Co., wishes to incorporate upon a basis of $80,000 Capital Stock, divided into 800 shares at a par value of $100 each; the corporate name is "The American Clock Company."

The above firm consists of three partners, whose combined capital, or present worth, at this closing of the partnership books is $53,642.60, of which H. B. Burton's net Stock account is $31,119.80, W. Clark's net Stock account is $10,347.35, and W. W. Ely's net Stock account is $12,175.45.

The three original partners have agreed to take stock at par value in the new company for their present worth in the old firm, as follows: H. B. Burton is to receive 310 shares of stock, and a personal credit on the books of the new company of $119.80; W. Clark, 100 shares, and a personal credit of $347.35; W. W. Ely, 120 shares, and a personal credit of $175.45; leaving 270 shares unsubscribed for.

As the law usually requires that each and every corporation shall be organized with not less than five stockholders, others were induced to subscribe for stock, as follows: G. E. Daley, 200 shares at a par value of $100; A. B. Crook, 30 shares at a par value of $100; the 40 remaining shares to be held as Treasury Stock.

Some firms in changing their business to a corporation, desire to have the old partnership books contain entries and explanations necessary to produce the change, and show the financial condition of the old firm. While this is not absolutely necessary, it is an excellent plan, as it closes all accounts on the books of the old company, and shows that all balances have been transferred to the books of the new corporation This is done by first debiting the newly formed corporation and crediting all the resources, and then crediting the corporation and debiting all the liabilities, as in the following journal entries:

The following entries are made in the Journal of the old company, and posted to the old Ledger The first one shows that all the resource accounts have been balanced and transferred to the new company, and the second shows that the new company has assumed all the liabilities of the old firm, including the partners' accounts.

The American Clock Co.	$104,602 10	
Merchandise		$51,375 40
N. V. Taylor		10,100 60
M. J. Quinn		8,023 00
Bills Receivable		9,242 50
Chattels		680 00
Cash		18,780 60
Mortgages Receivable		6,400 00

Entry necessary for closing all resource accounts belonging to the partnership firm of Burton, Clark & Co., and charging the same to the new company, incorporated under the name of The American Clock Co.

Bills Payable	$22,394 00	
A. G. Davis	20,505 10	
J. B. Loomis	8,060 40	
H. B. Burton, Stock account	31,119 80	
W. Clark, Stock account	10,347 35	
W. W. Ely, Stock account	12,175 45	
The American Clock Co.		$104,602 10

Entry necessary for transferring the partners' accounts and all liability accounts of the firm of Burton, Clark & Co., to the corporation of The American Clock Co.

The journal entry necessary for opening the books of the American Clock Co. is as follows:

Subscription (for all stock subscribed)	$76,000 00	
Treasury Stock	4,000 00	
Merchandise	51,375 40	
N. V. Taylor	10,100 60	
M. J. Quinn	8,023 00	
Bills Receivable	9,242 50	
Chattels	680 00	
Mortgages Receivable	6,400 00	
Cash	18,780 60	
Capital Stock		$80,000 00
Bills Payable		22,394 00
A. G. Davis		20,505 10
J. B. Loomis		8,060 40
H. B. Burton, credit for balance of old Stock account		119 80
W. Clark, credit for balance of old Stock account		347 35
W. W. Ely, credit for balance of old Stock account		175 45
Subscription (credit for amount paid in)		53,000 00

For the nominal amount of stock of the American Clock Co., incorporated on a basis of $80,000 Capital Stock, divided into 800 shares at a par value of $100 each, of which 40 shares are to remain on the company's books as Treasury Stock until sold. The remaining 760 shares have been issued to the incorporators and associates as follows:

H. B. Burton, 310 shares paid up $31,000
W. Clark, 100 shares paid up 10,000
W. W. Ely, 120 shares paid up 12,000
A. B. Crook, 30 shares not paid up.
G. E. Daley, 200 shares not paid up.

As the Subscription account now stands on the books, it has an excess debit of $23,000. This account will be balanced by a credit from the Cash Book when G. E. Daley and A. B. Crook pay for their stock.

The Treasury Stock account has a debit of $4,000. which will be credited, and Subscription account debited for all subsequent subscriptions. When the full amount of the company's stock has been subscribed, the Treasury Stock account will balance, and when the same has been paid, the credit side of the Subscription account will show the amount of paid-up capital.

Borrowing Money to Pay Dividends.— It very often occurs that the cash capital of a company is invested in the business, and that although the profits of the concern are sufficient to justify declaring a dividend, there is not a sufficient amount of available cash to pay the dividend. Under such circumstances the company may be justified in borrowing enough cash to declare the required dividend. The entry required will depend upon circumstances. Usually a note is given and the entry is "Cash to Bills Payable." When the stockholder receives a dividend, credit Cash and debit "Dividend No. —." The Dividend account will then stand open until the loss and gain of the business is adjusted, at which time it should be credited for the amount of the dividend paid, thus balancing the account.

Stock Sold at a Discount.— When Treasury Stock or any other kind of stock is sold at a discount, it should be entered the same as directed on page **175,** except that Subscription is to be debited and not Franchise.

And when stock of any description is issued as "Preferred Stock," it should have written upon the face of it, "Preferred at 10 per cent, H. B. Burton, Secretary, I. O. Chapman, President." However, Preferred Stock Certificates are usually printed for that particular purpose, providing for the rate of dividend, etc.

The Stock Ledger should show who are the holders of preferred stock, the record being made in the explanation column. See last entry in S. L. Osborn's account on page **180.** Most corporation bookkeepers employ some method of their own which they find more convenient for this purpose than the Stock Ledger.

Treasury Stock Given in Exchange for Merchandise.— When Treasury Stock is sold at a premium and paid for in merchandise, the following entries should be made in the Journal:

Merchandise	$2,200	
Treasury Stock		$2,000
Stock Premium and Discount		200
For 20 shares of Treasury Stock at par value, sold at a premium of 10 per cent. in favor of S. L. Osborn, for merchandise as per Inv. No.—.		

Crediting Dividends.— When stockholders have not paid in full for their stock, a dividend is sometimes declared, and the amount they would have received if their stock had been paid for is placed to their credit as a payment on their stock. The entry in such cases is made as in the accompanying form.

The amounts of the entry are posted to the Dividend and Subscription accounts in the General Ledger and the amounts in the explanation, to the respective accounts of the stockholders in the Stock Ledger.

Dividend No. —	$600	
Subscription		$600
For amount of dividend due A. B. Crook and G. E. Daley, which is placed to their credit in the Stock Ledger as follows:		
A. B. Crook	$300	
G. E. Daley	300	

Assessment Book.— This book is used for keeping a record of assessments, which are collections made from the stockholders in payment of their stock, or assessments may be made after the original stock subscriptions have been paid, and for certain special purposes, as the paying of operating expenses, or the discharge of corporation indebtedness. The Assessment Book is not required until after the corporation is in full operation. If the stock is not to be paid for by assessments, it will not be required at all, unless additional funds are to be raised in excess of the paid-up capital. When an assessment is made public notice through a newspaper is usually given. The following is a usual form:

ASSESSMENT NOTICE

CINCINNATI, O., Feb. 1, 19–

Notice is hereby given to the stockholders of the American Clock Co. that at a meeting of the Board of Directors held upon the above date, an assessment (No. 1) of five per cent was levied on the capital stock of the corporation, payable on or within thirty days after date to the secretary at the office of the company in Cincinnati, Hamilton Co., O.

Any stock upon which said assessment shall remain unpaid on the 10th day of March, 19–, shall be deemed delinquent, and will be duly advertised for sale at public auction, and unless payment be made before, will be sold on Tuesday, the 1st day of April, 19–, to pay the delinquent assessment thereon, together with the costs of advertising and the expenses of the sale.

By order of the Board of Directors.

H. B. BURTON, *Secretary.*

Assessment Book

Date Delinquent *March 10*, 19– Date of Sale *April 1*, 19–

Assessment No. *1* of *5* per cent. Levied *Feb. 1*, 19–

STOCKHOLDER'S NAME.	No. Cer.	No. Shares.	Amount Due.	Ch'k.	Date of Payment. 19	REMARKS
H. B. Burton	22	310	1,550			
W. Clark	23	100	500			
W. W. Ely	24	120	600			
A. B. Crook	25	30	150			
G. E. Daley	26	200	100			

DISSOLUTION OF CORPORATIONS

A number of conditions may occasion the dissolution of corporations. They may be dissolved through the expiration of the time for which the charter was granted, they may voluntarily surrender their charters, or they may become insolvent. In the latter case, the adjusting of the company's affairs will be effected by a receiver. See "Dissolution," page 160. In the former cases, it is customary, previous to dissolution, to convert the entire assets of the company into cash, to liquidate all outstanding debts, and then to devote the cash that may remain to buying up the capital stock either at a premium or at a discount, according to the amount of funds on hand.

In doing this, entries should be made closing every account in the Ledger. The following entries and suggestions are given upon the supposition that the business has been reduced to a cash basis. If the stockholders have paid in full for their stock, it would only be necessary to close the accounts showing a loss or a gain to the Loss and Gain account and then close the Loss and Gain account and the Surplus Fund accounts to the Capital Stock account. Then debit the Capital Stock account in the Cash Book, paying each stockholder in proportion to the amount of stock owned. The following cash book entry, if properly made, will balance the Cash Book and Capital Stock account:

Capital Stock,	I. O. Chapman	$11,200
" "	C. C. Campbell	16,800
" "	W. D. Hampton	8,400
" "	L. M. Goodyear	5,600
" "	H. B. Burton	2,800

If the stockholders have not paid in full for their stock, it would be necessary after closing the Loss and Gain and Surplus Fund accounts to the Capital Stock account, to debit Capital Stock and credit each stockholder by journal entry for the amount unpaid on his stock, provided the individual stockholders were debited on the General Ledger for the amount of their subscription.

Capital Stock	$19,400	
I. O. Chapman		$4,850
C. C. Campbell		4,850
W. D. Hampton		4,850
L. M. Goodyear		2,425
H. B. Burton		2,425

Entry necessary for dissolution of business.

After making the following entry, debit the Capital Stock account in the Cash Book for the balance of cash on hand, paying the same to the stockholders as previously illustrated.

Surrendering Stock.— In all cases where stockholders surrender their stock in favor of the company at the time of closing out the business, it should bear the following indorsement:

"Surrendered to the company Oct. 10, 19–. I. O. Chapman."

Transferring Stock.— All stock sold by the stockholders must be properly transferred on the company's books. When a Stock Journal is used, all such transfers of stock should first be entered in the Stock Journal and then posted to the Stock Ledger.

When a stockholder sells all his stock, the old certificate of stock should be taken up by the company and a new one issued to the stockholder. If only a part of the stock is sold, then two certificates of stock should be issued, one to the new stockholder for the amount of stock bought, and one to the old stockholder for the remainder of stock unsold. The old certificates should then be canceled. See "Canceled Stock" following this subject

Certificates of Stock in a Corporation or Installment Scrip may be transferred at any time by the holder thereof, or by his attorney if legally authorized to do so, or by indorsement of the Certificate or Installment Scrip and the acknowledgment of such transfer on the books of the corporation.

No surrendered Certificate or Installment Scrip shall be canceled by the secretary before a new one is issued in lieu thereof; and the Certificate or Installment Scrip so canceled will serve as a voucher of the transfer. If, however, a Certificate of Stock or Installment Scrip should be lost or destroyed, the Board of Directors may order a new one issued upon such guarantees as they may deem satisfactory.

Canceled Stock.— When stock is transferred on the company's books, the old certificate should be canceled by the party selling the stock, as follows:

"Transferred to G. B. Hess, ——, 19–. C. C. Campbell."

The above indorsement should be used when all of the stock is sold, and the following indorsement when only a part of it is sold.

"Transferred ten shares of the within stock to G. B. Hess, ——, 19–. C. C. Campbell."

HOW TO CHANGE A CORPORATION TO A SINGLE PROPRIETORSHIP

It is sometimes desirable that the stock and property of a corporation pass under the control of some individual stockholder, and that the corporation thereby go out of existence. This must be accomplished by the legal purchase of all the stock by the individual stockholder. It may happen that the stockholders are widely scattered, and that they are not personally known to the stockholder who wishes to purchase the stock, and their addresses may also be unknown. In order that the stockholder (who probably already holds a majority of the stock) may legally get possession of the remainder, an assessment is usually made for some nominal purpose. If any stockholder fails to pay this assessment, his stock is advertised for sale, to pay such assessment, and if the same is not paid, it is bought at public auction by the stockholder who is trying to get control of the stock. Of course, if any stockholder wishes, he may pay his assessments.

and in this manner retain possession of his stock, but in most cases, under the conditions we have described, the minor stockholders would not hold out against the majority stockholder, and would either part with their stock upon terms mutually satisfactory, or allow it to be sold to pay the delinquent assessments.

When the stockholder who wishes to get control of the corporation property gains legal possession of all the stock, he may then represent the facts to a competent court, and secure a judicial order dissolving the corporation. When this order is granted, the stockholder will secure legal ownership of all the corporation property.

Appropriation of Surplus Fund.— When it is desired to appropriate a part of the Surplus Fund to the payment of the unpaid capital due the company from the stockholders, you should make the following journal entry.

Surplus Fund	$800	
I. O. Chapman, 100 shares		$200
C. C. Campbell, 100 shares		200
W. D. Hampton, 100 shares		200
L. M. Goodyear, 50 shares		100
H. B. Burton, 50 shares		100

For $800 of the Surplus fund which has been appropriated to the discharging of the unpaid capital, according to order of the directors.

These entries should be posted to the credit side of the respective stockholders' accounts in the Stock Ledger.

Entries of the above character occur only when there are delinquent payments on the stock, and a credit balance in the Surplus Fund account, which the directors desire to use in discharging this delinquency on the stock, by appropriating a certain percentage of it for that purpose.

BALANCE SHEET OF THE UNION IRON WORKS, JAN. 1, 19

Capital Stock		40 000
Cash	46 400	16 090
Machinery and Tools	14 100	
Steam Engines	14 100	17 500
Expense	190	
Surplus Fund		1 200
	74 790	74 790
RESOURCES		
Cash	30 310	
Steam Engines, Inv'ry	1 750	
Machinery and Tools	14 000	46 060
Company's Present Worth		*46 060*
GAINS		
Steam Engines		5 150
LOSSES		
Machinery and Tools	100	
Expense	190	290
Company's Net Gain		*4 860*
UNION IRON WORKS		
Capital Stock paid up	40 000	
Surplus Fund	1 200	
Net Gain	4 860	46 060
Company's Present Worth		*46 060*
Loss and Gain	740	
Surplus Fund	4 060	
Capital Stock		4 800
Entries preparatory to dissolution of business		

ORGANIZATION OF CORPORATIONS

CORPORATION NO. 1

CONDITIONS: Capital Stock $40,000, divided into 400 shares at a par value of $100 each, which are divided among the incorporators and paid for in full on commencing business.

STEPS FOR ORGANIZING.

1. Look up the State law thoroughly on the subject of corporations.
2. Secure a charter.
3. Have each stockholder inscribe his name on the Stock Subscription Book for the amount of stock subscribed.
4. Open the books, using Opening Entry No. 1. If it is not desired to debit the stockholders in the General Ledger for the amount of their subscriptions, use any one of the Opening Entries from No. 2 to No. 7.
5. Make out a certificate of stock for the various stockholders, and enter the same into the Stock Journal. Then open an account in the Stock Ledger with each stockholder and debit him by posting the amount of his subscription from the Stock Journal.
6. Issue the certificates of stock to the stockholders and collect the full amount of their subscriptions. If Opening Entry No. 1 is used in opening the books credit each of the stockholders in the Cash Book for the payment, and post the same to the credit of their respective accounts in the General Ledger; also credit them in the Stock Ledger.

When the above requirements have been complied with, the opening of the books will have been completed.

CORPORATION NO. 2

CONDITIONS: Capital Stock $40,000, divided into 400 shares at a par value of $100 each, which are divided among the incorporators and paid for by such installments as the directors may see fit to make.

After meeting the necessary requirements for organizing a corporation according to the directions given under Corporation No. 1, have each stockholder sign the Stock Subscription Book for the amount of stock set opposite his name.

Open the books by debiting Franchise and crediting Capital Stock according to the third entry on page **178.**

Charge the subscribers for their respective shares of stock on the Stock Journal, which must be posted to the Stock Ledger. Also collect 25 per cent of the stock issued, and enter it on the debit side of the Cash Book, crediting Franchise, at the same time posting it to the credit of the respective stockholders' accounts in the Stock Ledger. This will complete the opening of the books, leaving everything concerning them in a proper condition for receiving the regular transactions of the business.

Installment Account.— When stock is to be paid for by installments, an Installment Book is generally used. When this book is not used, an account should be opened with each installment by debiting Installment and crediting Franchise. When a payment is received, Cash is debited and Installment is credited. The Installment account will always show the amount yet unpaid on the installment, and when it is all paid, the account will balance.

Some companies prefer to issue Installment Scrip for the amount of each installment paid, and not issue the certificates of stock until the subscription has been paid up in full. See "Installment Scrip," page **164.**

CORPORATION NO. 3

CONDITIONS: Name, "Fowler Pump Works; fixed capital of $150,000, divided into 1,000 shares of Ordinary Stock at a par value of $100 each, and 500 shares Preferred Stock of $100 each, with a stated dividend of 10% per annum on the Preferred Stock. The Preferred Stock is to be placed to the credit of a Working Capital account, as per the following entry:

Franchise	$150,000	
Capital Stock		$100,000
Working Capital		50,000

For the nominal Capital Stock of the Fowler Pump Works incorporated upon the basis of $150,000, divided into 1,000 ordinary shares at a par value of $100 each, 500 preferred shares of $100

each with a stated dividend of 10 per cent. per annum. The 1,000 ordinary shares are placed to the credit of the Capital Stock, and the 500 preferred shares are placed to the credit of a Working Capital account.

SALE OF WORKING CAPITAL

Sold at Par.— When any of the Working Capital is sold at par and paid for, the following entries should be made in the Journal:

Working Capital	$2,000	
Capital Stock		$2,000

For 20 shares of Preferred Stock at a par value of $100 each, issued with a stated dividend of 10 per cent. in favor of A. D. Hunter.

Cash	$2,000	
Franchise		$2,000

For payment in full for the above sale of stock.

Sold at a Discount.— When the Working Capital is sold at a discount and is to be paid for by installments, the first installment being paid, debit "Working Capital" and credit "Capital Stock" for the par value of the stock; then debit "Cash" for the amount received and "Stock Premium and Discount" for the amount of the discount, and credit "Franchise." See the following entries:

Working Capital	$1,000	
Capital stock		$1,000

For 10 shares of Preferred Stock at a par value of $100 each, with a stated dividend of 10 per cent, which stock has been credited by the company as a Working Capital. These 10 shares are sold at a discount of 5%. The first installment of 75% has been paid as per the following entry:

Cash	$250	
Stock Premium and Discount	$50	
Franchise		$300

For explanation see the above entry.

Sold at a Premium.— When any of the Working Capital is sold at a premium, the same entries are to be made as when sold at a discount, except that "Stock Premium and Discount" is to be credited.

CORPORATION NO. 4

CONDITIONS: Name, "West Coast Soap Co.;" Capital Stock $80,000, divided into 800 shares at a par value of $100 each. The incorporators contribute the property, which forms the resources of the company, and in consideration of which contribution, divide the stock among themselves according to agreement.

For an opening entry under the above conditions we recommend the following, or a similar entry:

Plant	$80,000	
Capital Stock		$80,000

For amount of Real Estate, Raw Material, Good Will, Chattels, etc., which forms the basis of the West Coast Soap Co., organized upon the basis of $80,000 Capital Stock, divided into 800 shares at a par value of $100 each, issued to the incorporators according to agreement upon organizing, which is as follows:

P. E. Gans.....200 shares.
W. D. Bell.....175 shares.
M. S. Sprague.....150 shares.
N. V. Taylor.....125 shares.
U. S. Adams.....150 shares.

CORPORATION NO. 5

CONDITIONS: Name, "Union Transportation Co.;" Capital Stock $100,000, divided into 100 shares at a par value of $1,000 each. By the terms of the subscriptions these shares are to be paid for by assessments or installments.

Under these conditions, the books should be opened by debiting "Cash" and crediting "Capital Stock" for the first payment, in accordance with the following entry:

Cash	$10,000	
Capital Stock		$10.000

For amount of first assessment of 10 per cent. of the Capital Stock of the Union Transportation Co., organized upon the basis of $100,000, divided into 100 shares at a par value of $1,000 each, which has been issued to the following incorporators and associates:

A. G Davis.....25 shares.
C. P. Zaner.....20 shares.
I. M. Quinn.....20 shares.
D. J. Drummond.....20 shares.
M. L. Barclay.....15 shares.

According to this method, the first assessment or installment of 10 per cent would give the Capital Stock account a credit of only $10,000, while $100,000 is the nominal value of the 100 shares which have been subscribed for and represents the incorporated capital of the company. Therefore, should this call of 10 per cent be sufficient for operating purposes and no further assessments or installments are necessary, the Capital Stock account would have a credit of $10,000 only, when it rightfully should have a credit of $100,000. If the Certificates of Stock have been issued for $100,000, it is hardly sufficient to credit the Capital Stock account only, for the $10,000 which has been paid in, when the Certificates of Stock have been issued representing $100,000, which is the full amount of the Capital Stock, and also the incorporated power of the company.

When Cash is debited and Capital Stock credited for assessments or installments, it would be better to issue Installment Scrip to the stockholders for the paid-in assessments or installments, and not issue the Certificate of Stock until their shares have been fully paid up. Should the company conclude that 75 per cent of the stock would be sufficient for operating purposes, then you should carry what remains unpaid on the books by charging it to "Contingency," "Franchise," or some other suitable account, which account could, with propriety, be carried as a debit on the books without having any effect whatever on the actual resources of the business. In case it should be necessary in the future to levy assessments, we would then debit Cash and credit "Contingency," "Franchise," or such other account as may have been previously used for crediting up the Stock account in full.

CORPORATION NO. 6

CONDITIONS: Name, "San Francisco Windmill Manufacturing Co.;" Capital Stock $200,000, divided into 2,000 shares of $100 each. The circumstances under which this company was formed are as follows: an inventor without means has patented a windmill. He finds several capitalists who become interested in the patent, and agree to associate themselves with him in forming a company for the purpose of manufacturing the windmills. These incorporators agree to pay the expenses of patenting, etc., and allow the inventor 200 shares of paid-up stock for his patent. The stock subscribed by the incorporators is not sufficient to take up the whole amount of the Capital Stock. The balance is to be carried as "Treasury Stock."

The above conditions would require the following opening entry:

Windmill Account	$ 20,000	
Franchise	100,000	
Treasury Stock	80,000	
Capital Stock		$200,000

For amount of 2,000 shares of stock at a par value of $100 each, which represents the Capital Stock of the San Francisco Windmill Manufacturing Company, incorporated on the basis of $200,000, of which 200 shares have been issued to A in

payment of his right, title, claim, and interest as an individual in and to his patent windmill.

A, Inventor.....200 shares.
B.....275 shares.
C.....250 shares.
D.....225 shares.
E.....250 shares.

CORPORATION NO. 7

CONDITIONS: Name, "Nevada Mining Co.;" Capital Stock $150,000, divided into 300 shares of $500 each. This corporation was formed under the following circumstances: Geo. Hillard, the owner of a silver mine, sells the same to a party of capitalists, who form a company, allowing Mr. Hillard 60 shares of paid-up capital stock for his interest in the mine. Of the remaining shares 140 are subscribed for by the other incorporators, and 100 shares are reserved for "Working Capital" to be sold from time to time for operating purposes.

The above conditions would require the following opening entry:

Hillard Mine	$ 30,000	
Franchise	120,000	
Capital Stock		$100,000
Working Capital		50,000

For the appraised value of the Hillard Mine, located in the northern part of Humboldt Co., State of Nevada, which has been deeded to the Nevada Mining Co., by Geo. Hillard, together with all his rights, title, claims, and privileges as per deed dated Oct. 20, 19—. The said company is incorporated on the basis of $150,000 Capital Stock, divided into 300 shares at a par value of $500 each. The subscribed stock has been divided and paid for according to the division made among the first seven stockholders whose names appear on the Stock Subscription Book.

CORPORATION NO. 8

CONDITIONS: Name, "The Maze;" Capital Stock $160,000, divided into 3,200 shares, at a par value of $50 each. This company was organized under the following circumstances: Benjamin Patrick, a merchant owning an extensive business, desires to incorporate, in order to secure certain rights and privileges, as provided by the corporation laws of the State in which the business is conducted. Practically speaking, Mr. Patrick is still to own the whole concern, but as the law requires at least five incorporators in order legally to form the corporation, the proprietor associates with him a certain number of stockholders whom he secures by giving or selling a few shares, at a nominal price, to each. These incorporators may be his clerks, or personal friends, or even members of his own family. The property upon which the corporation is based, consists of various resources and liabilities. It is decided to name the corporation "The Maze."

The following would be a suitable opening entry for the foregoing conditions:

Merchandise	$100,000	
Personal account (to be entered separately)	10,000	
Bills Receivable	20,000	
Real Estate	50,000	
Bills Payable		$ 5,000
Personal accounts (to be entered separately)		15,000
Capital Stock		160,000

For amount of 3,200 shares, at a par value of $50 each, of the Capital Stock of "The Maze" at the corner of Market and Taylor streets, San Francisco, Cal., organized upon a basis of $150,000 Capital Stock, which is divided among the incorporators and associates as follows:

Benj. Patrick.....3,175 shares.
J. Phillips.....5 shares.
E. L. Thomas.....5 shares.
W. L. Randolf.....5 shares.
Fred Loomis.....5 shares.
H. B. Millis.....3 shares.
T. Barber.....2 shares.

"Figure Head."—This term is a term that is sometimes applied to those stockholders who are not financially interested in the company, but who are given a small number of shares at a nominal price for the purpose of using them as officers, or for the purpose of making up the required number of stockholders which the law of the various States require on organizing. For example, all of the above stockholders might be called "figure heads" except the first one, Benj. Patrick.

CONSOLIDATION OF CORPORATIONS

It is often desirable to consolidate two or more corporations into a single concern. In doing this, it is important to make an equitable adjustment of the new company's present worth, among the respective stockholders of the old companies. The following statement and opening entries are prepared to illustrate the consolidation of two companies, the "Fulton Iron Works" and the "Union Iron Works," into a new company to be called the "Pacific Coast Iron Works."

STATEMENT OF THE FULTON IRON WORKS

Capital Stock, $50,000, divided into 500 shares at a par value of $100 each.

Resources

Merchandise	$10,260 50	
Raw Material	16,420 30	
Real Estate	15,000 00	
Tools	7,360 00	
Cash	1,624 20	
Bills Receivable	2,300 00	$52,965 00

Liabilities

Bills Payable	$4,200	
C. W. Wheeler	1,205	
Taxes, unpaid	250	
Present Worth of Company	47,310	

The following is a list of the stockholders, the amount of stock held by each, the amount paid in on the same, etc.:

N. S. Jones, 100 shares, par value $100, paid up in full...	$10,000
C. E. Howard, 100 shares, par value 100, paid up in full...	10,000
J. A. Wiles, 90 shares, par value 100, 75 per cent. paid in	6,750
W. J. Mc Lean, 90 shares, par value 100, 75 per cent. paid in	6,750
F. M. Ray, 80 shares, par value 100, 50 per cent. paid in	4,000
W. S Hull, 80 shares, par value 100, 50 per cent. paid in	4,000
Paid-up capital of the company	41,500

From the above statement, it will be observed that the company's present worth is $47,310 and its paid-up capital is $41,500, which will entitle each stockholder to $1.14 on each dollar paid in. These amounts are to be paid to the old stockholders by the new company in stock, and by placing all fractional sums which are less than one share to the credit of the respective stockholders as arranged in the following entry:

STATEMENT OF THE UNION IRON WORKS.

Capital Stock, $60,000, divided into 600 shares at a par value of $100.

Machinery	$20,000	
Bills Receivable	10,000	
Cash	4,875	
Company's present worth		$34,875

The following is a list of the stockholders, the amount of stock held by each, the amount paid in on the same. etc.:

E. K. Kingman, 150 shares, par value $100, paid up in full	$15,000
H. B. Brown, 125 shares, par value 100, paid up in full	12,500
G. W. Fuller, 100 shares, par value 100, 50 per cent. paid in	5,000
J. E. Martin, 75 shares, par value 100, 50 per cent. paid in	3,750
W. E. Clark, 50 shares, par value 100, 50 per cent. paid-in	2,500
Paid-up capital of the company	38,750

From the above statement, it will be observed that the company's present worth is $34,875 and its paid-up capital is $38,750, which will entitle each stockholder to 90 cents on each dollar paid in. These amounts are to be paid by the new company in stock, and all fractional sums which are less than one share should be placed to the credit of the respective stockholders, as arranged in the following entry:

Journal entry for consolidating the Fulton Iron Works and the Union Iron Works as one company under the firm name of the Pacific Coast Iron Works, with a Capital Stock of $200,000, divided into 1,000 shares at a par value of $100 each, and 500 Founders' Shares at a par value of $200 each. The ordinary shares are to have a Cumulative Preference Dividend of eight per cent per annum, plus one half of the surplus profits, while the Founders' Shares are to receive the other half of the profits after the eight per cent has been paid. The vendor, N. S. Jones, of the Fulton Iron Works Company, is to receive $20,000 in fully paid-up Stock in excess of his interest in the company.

Franchise Dr. for all stock subscribed	$183,900 00	
Treasury Stock for all stock unsubscribed	16,100 00	
Mdse. furnished by Fulton Co	10,260 50	
Raw Material by Fulton Co	16,420 30	
Real Estate by Fulton Co	15,000 00	
Tools by Fulton Co	7,360 00	
Cash, Fulton Co. $1,624.20, Union Co. $4,875	6,499 20	
Cash for new stock sold D. W. Springer	50,000 00	
Bills Receivable, Union Co. $10,000, Fulton Co. $2,300	12,300 00	
Machinery furnished by Union Co	20,000 00	
Capital Stock		$200,000 00
Bills Payable Fulton Co		4,200 00
C. W. Wheeler, Fulton Co		1,205 00
Taxes unpaid Fulton Co		250 00
A. J. Wiles, Cr. for Bal. due from old Co		95 00
W. S. Hull, Cr. for Bal. due from old Co		60 00
W. J. Mc Lean, Cr. for Bal. due from old Co		95 00
F. M. Ray, Cr. for Bal. due from old Co		60 00
H. B. Brown, Cr. for Bal. due from old Co		50 00
J. E. Martin, Cr. for Bal. due from old Co		75 00
W. E. Clark, Cr. for Bal. due from old Co		50 00
Franchise for amount paid in		131,700 00

For nominal value of the Pacific Coast Iron Works Stock, incorporated on a basis of $200,000 Capital Stock, divided into 1,000 shares at a par value of $100 each, and 500 Founders' shares at a par value of $200 each. The ordinary shares are to have a Cumulative Preference Dividend of 8 per cent per annum, plus one half of the surplus profits, while the founders are to receive the other half of the profits, after the 8 per cent has been paid.

This company, The Pacific Coast Iron Works, is the outcome of consolidating the Fulton Iron Works and Union Iron Works, and is to be conducted by the following stockholders:

Vendor (N. S. Jones),	100 ordinary and 50 founders' shares.....	$20,000
N. S. Jones,	114 ordinary shares, paid up in full.....	11,400
C. E. Howard,	114 ordinary shares, paid up in full.....	11,400
A. J. Wiles,	76 ordinary shares, paid up in full.....	7,600
W. J. Mc Lean,	76 ordinary shares, paid up in full.....	7,600
F. M. Ray,	45 ordinary shares, paid up in full.....	4,500
W. S. Hull,	45 ordinary shares, paid up in full.....	4,500
E. K. Kingman,	135 ordinary shares, paid up in full.....	13,500
H. B. Brown,	112 ordinary shares, paid up in full.....	11,200
G. W. Fuller,	45 ordinary shares, paid up in full.....	4,500
J. E. Martin,	33 ordinary shares, paid up in full.....	3,300
W. F. Clark,	22 ordinary shares, paid up in full.....	2,200
D. W. Collins,	300 founders' shares, at $200, 83⅓% paid in...	50,000
C. J. Craddock,	111 founders' shares, at $200, unpaid.....	

Omissions in Consolidating Companies.— It sometimes happens that omissions occur in the resources or liabilities at the time of consolidating partnership or stock companies. When this is the case, it will be necessary to adjust the matter between those who were stockholders at the time of making the change. For example: If the Fulton Iron Works has made a mistake of $1,000 in their favor in taking stock of the raw material, it should be adjusted among the stockholders of that company, by either paying them cash for their proportion of the $1,000, or crediting them for the same on the new company's books, or by issuing them stock to that amount. The Raw Material account should be debited. In case the omission was a liability, then it would be necessary for the stockholders to pay in cash for their share of it, or to be charged up for the same, or surrender enough of their stock to cover the same. The Raw Material account should be credited.

Closing When There is a Loss.—If the Loss and Gain account should show a loss, the loss should be disposed of, of course, according to the instruction of the directors, which would probably be either to close it into balance or into Impairment Fund as follows: Suppose the Net Loss to be $500, then the Journal entry would be:

Impairment Fund.....	$500	
Loss and Gain.....		$500

Some other name than Impairment Fund might be suggested, but the effect would be the same If closed without Journal entry, Impairment Fund $500 would be written on the credit side of Loss and Gain account in red ink, and then carried to the debit side of Impairment Fund account in black ink. For closing "Direct," see page 35; by Journal Entries, see page 37.

When there is a legitimate profit, the Impairment Fund, or loss, will have to be deducted before a dividend is distributed. Suppose at the next profit-taking period the Loss and Gain account should show a net profit of $2500, and the directors should decide to make up the loss (balance the Impairment Fund account) declare a dividend of $1800 and put $200 in the Surplus Fund account. Then after closing (if closed direct in red ink) the Loss and Gain account would show as follows:

LOSS AND GAIN

Impairment Fund.....	$ 500	$2500
Dividend No.....	1800	
Surplus Fund.....	200	
	$2500	$2500

The loss may be carried to the debit side of the Reserve Fund account and allowed to remain there until sufficient profit is made to balance it or to overbalance it to sufficient extent to declare a dividend.

If there should be a profit but not sufficient to meet the dividend desired, the Loss and Gain account is then generally closed into Undivided Profit account, and the profit allowed to stand in the credit of Undivided Profit account until such time as there may be sufficient profit to declare the desired dividend or until such time as the directors decide to dispose of the profit in some other way.

JOINT STOCK COMPANIES

The Century Dictionary defines a Joint Stock Company as follows: "Joint stock company. (*a*) An association the property or capital of which is represented by stock issued in shares to the members respectively, the object being that changes in membership shall depend, not, as in partnership, upon the consent of all the members, but upon the transfer of shares, which any member may make without the consent of the others, and also that the death of a member shall not dissolve the association, as in case of a partnership, his right being simply transferred to his executors or administrators. Another object usually if not always involved is the rendering of the power of control separable from the right of ownership, by vesting the management in a committee or officers instead of leaving it, as in the case of a partnership, with each member. In the absence of any statute the liability of a joint stock company and its members, and its means of enforcing its right as to third persons, are nevertheless precisely those of partners: all the members must join in suing; all are liable for its debts, and all must be joined when sued; and on a change of membership pending a suit a corresponding change of parties may be required. To obviate these inconveniences, statutes have been passed in several of the United States allowing such associations to sue and be sued in the name of the president or treasurer. In respect to internal controversies, the courts, even without the aid of statute, follow the analogies afforded by the law of corporations, so far as this can be done without conceding to unincorporated associations the right to have a common seal, and to have succession and sue and be sued as a distinct artificial person. (*b*) An association for similar objects, but having the express sanction of statute for its organization as a corporation. In both classes of companies the members contribute [to the capital]."

GENERAL REVIEW

SPECIAL REVIEW QUESTIONS

1. What is a corporation?
2. Name the general classes of corporations.
3. What are private corporations?
4. In what respects do corporations differ from partnerships?
5. As a rule, how many persons are required to form a corporation?
6. Name the consecutive steps in the formation of a corporation?

7. What is meant by "Articles of Incorporation"?
8. What must the Articles of Incorporation set forth?
9. How is the charter for a corporation obtained?
10. Name the principal powers of corporations.
11. What are the general duties of corporations?
12. What are the general liabilities of corporations?
13. Are the laws regulating corporations in the different States uniform?
14. How may a corporation be dissolved?
15. When a corporation is dissolved, what disposition is made of its affairs and property?

16. What is a charter?
17. What is a franchise?
18. Distinguish between "Franchise" and "Charter."
19. What is a Stock Certificate?
20. Are stock certificates negotiable?
21. How may they be transferred?
22. What is meant by "Ordinary Stock"?
23. What is preferred stock?
24. In the distribution of dividends, what advantage has preferred stock over ordinary stock?
25. Why do some corporations issue different classes of stock?
26. Can corporations allow dividends out of the proceeds of sales of Preferred Stock?
27. What is meant by "Guaranteed Stock"?
28. By what other name is guaranteed stock known?
29. In the matter of dividends, what advantage has guaranteed stock over other stock?
30. What is meant by "Deferred Stock"?
31. How may deferred stock become actual stock?
32. With regard to their rights as to the management of the company, how do the holders of deferred stock differ from the holders of ordinary stock.
33. What is meant by "Non-assessable Stock"?
34. What is Treasury Stock?
35. What is meant by the term "Watered Stock"?
36. What circumstances sometimes give rise to the issue of watered stock?

37. What is meant by the "Capital Stock" of a corporation?
38. Capital stock is usually issued in what denominations?
39. Is the total capital stock of a company necessarily equal to the value of the property owned by the company?

40. Does the amount of the capital stock of a company change with the fluctuations in the value of the company's property?
41. How are corporations taxed?
42. Has a stockholder of a company any right to the possession of the property of the company?
43. What are the rights of stockholders?
44. Is unpaid stock to be considered as a part of the assets of a corporation?
45. Who are the trustees of the capital stock of a corporation?
46. What is meant by "Working, or Operating, Capital"?
47. By what means is the operating capital of a company sometimes increased?
48. What is meant by the term "Plant"?
49. Do the stockholders of a corporation all have an equal voice in the direction of its affairs?
50. Are the subscribers to the stock of a corporation liable to the corporation should they fail to pay for the stock subscribed?
51. Is the issuing of stock certificates necessary to perfect a subscription?
52. What is necessary to perfect a stock subscription?
53. How are the voting rights of a stockholder regulated?
54. What is meant by "Gross Earnings"? "Net Earnings"?
55. What is a Dividend?
56. How are dividends calculated?
57. How are dividends apportioned among the stockholders?
58. What is a "Preferred Dividend"?
59. What is a "Stock Dividend"?
60. What circumstances give rise to the issue of stock dividends.

61. What is meant by "Declaring a Dividend"?
62. By whom are dividends declared?
63. What consideration should regulate the declaration of dividends?
64. Under what circumstances might a company be justifiable in borrowing money in order to declare a dividend?
65. What is meant by a "Dividend Certificate"?
66. Are dividend certificates transferable?
67. What is meant by "Passing a Dividend"?
68. What is a "Fictitious Dividend," and what is the purpose of issuing it?
69. What is a Surplus Fund?
70 How does a reserve, or contingent, fund differ from a surplus fund?
71. What is a Sinking Fund?
72. What is meant by "Rest Account"?
73. What is an Assessment, and how is it levied?

74. What is an Installment?
75. What is sometimes done when a stockholder fails to pay installments?
76. Under what circumstances is a notice to stockholders of the collection of an installment unnecessary?
77. What is said regarding the issuing of stock certificates prior to the payment of all installments?
78. What is "Installment Script"?
79. What is meant by "Par value"? "Market value"?
80. What are "Quotations"?
81. What is a Stock Exchange?
82. What are "Limited Corporations"?

83. How is the public notified that a corporation is limited?
84. What is meant by "double liability"?
85. What is a Trust and how is it formed?
86. What is a Syndicate?

87. What is meant by a "bonus"?
88. What is the purpose of a Minute Book?

89. How often do the regular meetings of corporation stockholders usually occur?
90. By whom are the affairs of a corporation controlled?

91. What is the purpose of the Stock Subscription Book?
92. Under what circumstances is a Stock Subscription Book dispensed with? In this case, what is used in its place?
93. At what time is a Stock Subscription Book opened?
94. What is the purpose of the Stock Certificate Book?

95. How is a certificate of stock transferred?

96. What course is usually taken when stock is forfeited through delinquent payments?

97. What is the purpose of a Stock Journal?

98. What is the purpose of a Stock Ledger?
99. Under what circumstances would a Stock Ledger be used?

100. What general requirement in closing Corporation Books?

101. What is the purpose of the Dividend Receipt Book?
102. In case the stockholder's signature cannot be obtained, how may his receipt for dividends paid be secured?
103. What is a dividend check?

104. What is the purpose of the Installment Book?
105. Is a stockholder allowed to transfer stock until delinquent installments have been paid?

106. What course is usually taken when it is found necessary to borrow money in order to pay dividends?
107. When are dividends credited as a payment upon unpaid stock?
108. What is the purpose of an Assessment Book?
109. How is a notice of assessment usually given?

110. Upon the dissolution of a corporation, how are the books closed?

111. How is stock surrendered?
112. What is meant by "Transferring Stock"?
113. How are stock certificates canceled?
114. Give the general steps necessary to change a corporation to a single proprietorship.

BANKING

A Bank is an institution for facilitating the safe keeping, borrowing, loaning, and circulation of money. Banks are divided, according to their functions and the character of their business, into several classes, each class being regulated to a greater or less extent by national or State laws.

Private Banks.— These are unincorporated banking enterprises, conducted by private individuals. They are under fewer legal restrictions than are other banks, and their principal business is the loaning of money, the discounting of paper, etc. In some States private banks are not allowed to receive general deposits.

State Banks.— State Banks are corporate institutions formed under the laws of the several States. There is, therefore, much variation as to their management and responsibilities. As a rule, they do a general banking business, buying and selling drafts, negotiating loans for municipal and other corporations, discounting paper, etc. Formerly they issued their own bills, which circulated as money; but since the adoption of the congressional act taxing such issue ten per cent , State banks have found the issue of their bills unprofitable, and have withdrawn them from circulation.

Savings Banks.— These banks make a business of receiving small sums on deposit, upon which they pay interest at certain periods. Savings Banks are usually subject to strict legal regulations with a view to the protection of the depositors. Savings banks are regulated by State law, and are therefore State Banks.

National Banks.—These are institutions incorporated under, and regulated by, the United States law known as "The National Banking Act." National banking corporations must deposit United States Bonds with the United States Treasurer equal to one-fourth of their capital stock, unless the capital stock is more than $150,000, when the banking association must deposit at least $50,000 par value of bonds. These bonds are called Charter Bonds. A national bank may issue circulating notes to the amount of its fully paid capital stock providing it deposits Government Securities to an equal amount. Every national bank must accept the circulating notes of every other national bank at par. If the market value of the deposited bonds should fall below the par value, the Comptroller of the Currency will call for additional bonds to cover the full face value of the circulating notes of the bank. In case of failure of the bank, the bonds deposited with the United States Treasurer will be sold and the proceeds used to redeem the circulating notes of the bank.

National bank notes circulate freely as money, although they are not *legal tender*. See "Money," Chapter VI, Part II.

National banks are by law made financial agents of the United States; they are also required to make at least five reports a year to the Comptroller of the Currency, and are subject to national taxes upon their outstanding notes, and their paid-up capital. National banks draw interest upon the bonds deposited to secure their notes of issue, but are subject to a number of restrictions. A majority of the organizers and directors of national banks must be residents of the State wherein the bank is established.

Bank Offices and Employees.— The official and working force of an incorporated bank usually consists of the President, Vice-President, Cashier, Receiving Teller, Paying Teller, and such other assistants, clerks, messengers, watchmen, etc., as the concern may require.

The President is usually the responsible head of the institution, directing its policy and exercising a general supervision over the work of the other employees.

The Vice-President performs the duties of the President in the latter's absence or death. In some bank organizations this office is omitted, the duties being performed by the Cashier.

Cashier.— Next to that of the President, this is the most responsible position in a bank. The Cashier exercises direct supervision over all the detailed work of the bank. He acts as the secretary of the Board of Directors, and with the President signs all official documents and other obligations of the corporation.

The correspondence of the bank is conducted in the name of the Cashier; he also signs all drafts, certified checks, certificates of deposit, etc.; and he is usually the responsible custodian of the funds, and other property of the bank.

The Cashier is elected by the Board of Directors, and he is often required to give a bond for the faithful performance of his duties.

Paying Teller.— The duties of the Paying Teller are to pay out all money for checks, or other papers that may be presented. In responsibility, his position ranks next to that of the Cashier.

Receiving Teller.— This office receives all moneys paid into the bank, also checks, bonds, and other documents for deposit. The Tellers may be regarded as assistants of the Cashier. If the bank is a small

institution in a country town, the Tellers are often dispensed with. On the other hand, in large city institutions, there may be a number of both Receiving and Paying Tellers.

In fact, the official force of a bank is a matter that will depend entirely upon the amount and character of the business done. The general rules governing the organization and workings of banks are the same as those regulating the operation of other corporations.

Bank Bookkeeping.—Bookkeeping in banks differs only in form from that of other commercial institutions. It usually involves only the simplest principles, and there is little variety in the accounts, the number and kind of which will depend upon the circumstances.

As in other kinds of business, there is much diversity in the style, form, and kinds of books used, these depending upon the amount and character of the business and the individual preference of the bookkeeper. Those commonly used are the Cash Book, Journal, Discount Register, Collection Register, Depositors' Ledger, and General Ledger.

For the purpose of acquiring a knowledge of ordinary bank bookkeeping, it will be sufficient if the student acquires a familiarity with the use of these books, as other books, when used, are merely a modification of some of these.

OPENING ENTRY

This should be entered in the Journal, and it does not materially differ from the forms required in other corporations, or business concerns.

National banks keep some accounts that do not appear on the books of private or State banks.

The following is a suitable opening entry for a National bank:

CHICAGO, ILL., JULY 1, 19

C. B.	Cash	39,300	
	U. S. Bonds	40,000	
	Premium on U. S. Bonds	6,400	
	U. S. Treasury	1,800	
	Real Estate	25,000	
	Bills Discounted	20,000	
	Fixtures	3,500	
	To Capital Stock		100,000
	" Circulating Medium		36,000
	For the nominal amount of the capital stock of the First National Bank of Chicago, Ill., incorporated upon the basis of $100,000 capital stock, divided into 1,000 shares of $100 each, and issued to the incorporators and associates at their par value, as per the first ten names that appear on the first page of the Stock Subscription Book.		

The above explanation may include a list of the stockholders if desired. See opening entry on next page.

A deposit of 5 per cent of the circulating medium is required by the government for the purpose of redeeming the worn-out and torn notes of the bank that puts them into circulation. For example: In a city of 20,000 population, it would be necessary to deposit $40,000 in bonds with the government; and in return it would issue bank notes to the bank to the amount of nine tenths of the bonds, or $36,000. On this amount of circulating medium there would be required a deposit of $1800, which is charged to U. S. Treasury Account.

The government bonds that are deposited with the Secretary of the Treasury are not bought of the government, but of private individuals or corporations. It is sometimes necessary to pay a premium of 15 or 20 per cent in order to secure them.

In the above opening entry the rate of premium is 16 per cent, and the amount paid, $4,000, will naturally remain on the book as a resource, although it will gradually decrease in value as the bonds approach maturity. The amount paid in premium ultimately becomes a total loss at the maturity of the bonds, as the government redeems them at their face value only, regardless of what may have been paid for them.

COLLECTION

Date Left for Collection		No. of Paper	Payer's Name	Face of Paper	Amount to be Collected	Rate of Col.	Amount of Collection	Proceeds and How Disposed of, "Paid" or "Credited"	For Whom Collected
19–									
May	2	36	Henry Day	300	305	1%	3 05	301 95 Credited	J. A. Wiles
	5	20	A. Morton	500	500	1	5	495 Paid	M. Welton

COLLECTION REGISTER

It is customary with business men who have papers to collect, especially at a distance, to leave them at a bank for collection. When papers of this class are received by the bank, the banker should see that they are properly indorsed, as follows: "Pay to the order of —— Bank, for collection, R. C. Martin." A record is then made in the Collection Register. For example: R. C. Martin has a note made by Henry Day, dated May 2, at sixty days, for $300. He wishes it collected and the proceeds placed to his credit. He takes it to the banker who records it in the Collection Register, entering in the proper column the date, name of maker, number of note, face, time to run, date of maturity, interest, if any, rate of collection to be charged, etc. See form on next page. The note is then turned over to the Collection Department. When collected, a card is sent to R. C. Martin requesting him to bring his Pass Book to the bank. He is then given credit for the amount collected, less the charge for collecting. This appears on the books of the bank in an account called "Collections." This account is credited for all sums paid to the bank for collecting, and debited for all sums paid by the bank for this purpose. The record on the Register is then completed by entering the amount collected, the date, and whether the proceeds were paid to R. C. Martin or placed to his credit. Entries are not posted from this book, it being merely a memorandum book.

DISCOUNT

Date of Discount			Face of Paper and Bills Dis., Dr. when Posted Separately	Total Amount of Bills Dis., Dr. when Several are Added L. F.	Am't of Int. at Maturity	Am't of Dis.	Total Amount of Dis. Cr. L. F.	Whom or What Cr. for the Proceeds L. F.	Am't of Proceeds		Payer's Name	For Whom Discounted
19–												
July	30	26	G. L. 240 500			5		G. L. 317	495	H. Wells	H. Wells	Maker
Aug.	1	33	2500		75	15		262	2485	D. Smiley	R. Toma	D. Smiley
	5	6	250	G. L. 240 2750		2	17	C. B. 197	248	Cash	M. C. Haley	R. Tilley

REGISTER

Date of Paper		Full Time to Run	Kind of Paper, "Note" or "Draft"	Rate of Int.	When Due												Year	Amount Collected		Date of Payment		Page of C. B. or L.	Explain How Paid and General Remarks
					Jan.	Feb.	Mar.	Apr.	May.	June.	July.	Aug.	Sep.	Oct.	Nov.	Dec.							
19 Mar.	5	60 Da.	Note	10					4								19	305		May	5	C. B. 290	Paid J. Dunn, Collector
Jan.	1	5 Mos.	Note							1							19-	500		June	1	306	Paid Cash

DISCOUNT REGISTER

The Discount Register has the same relation to notes and drafts discounted that the Collection Register has to those collected. When persons desire to raise money by disposing of papers not yet due, they often take them to the bank and have them discounted; that is, they sell them to the bank for what the banker is willing to give. The banker usually deducts an amount from the paper, called "discount." There is no fixed rate of discount, but the amount taken off varies with the time the paper has yet to run, the amount or face, the security offered for its payment, the condition of the money market, etc. In cases where the note bears a high rate of interest, the bank may pay the full face value, retaining the interest, when collected, for its compensation. A common custom is to compute interest on the amount due at maturity, for the unexpired time, and deduct this amount from the sum due at maturity, paying the person having the note discounted, the balance.

The Discount Register is usually a long, narrow book, having special columns for describing the paper, giving its date, the maker's name, date of maturity, date of discount, rate of interest the paper bears, the rate of discount, the amount of discount (in dollars), for whom discounted, and the disposition of the proceeds, whether paid or placed to the credit of the person. This book is used as an auxiliary book or book of original entry, amounts being posted directly from it to the ledger. See form on previous page.

One of the first daily duties of the banker each morning is to examine the Collection and Discount registers and see what papers mature on that day, so that they may be collected. See the following form:

REGISTER

Date of Paper		Full Time to Run	Kind of Paper, "Note" or "Draft"	Rate of Int.	When Due												Year	Amount Collected		Date of Payment		Explain How Paid and General Remarks
					Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.						
19 July	30	90 Da.	Note	×										28			19-					
Mar.	1	6 Mo.	"	6									1					2575		Sept.	1	Rec'd in full
July	11	30 Da.	Draft	×								10						250		Aug.	11	Rec'd in full

	NAMES	Monday, Nov. 1, 19– Checks in Detail	Total Checks	Deposits	Balances		Tuesday, Nov. 2, 19– Checks in Detail	Total Checks	Deposits	Balances
1	Burton, H. B.	207 100 400 270 288 104 225 266.80 276	2076 80	5000	2923 20	1	60 800 640 540 630 150 8550 710 380	3995 50	5096 25	4023 95
2	Dunn, J. M.	189 315 60 125 10 263.90	962 90	3599 25	2629 35	2	275 810 60 750.50 225.50 675 505.25 85.25 355	3772	4145 75	3003 10
3	Hull, W. S.	190.25 25 262 260 149 45 310	1231 25	3817	2585 75	3	640 480 705 800 735 400 35 580 830.25	5205 25	6315 75	3696 25
4	Paine, G. H.	140 150 30 30	400	2621 80	2221 80	4	3050 580 870.25 240 575 70 702.5 450 455.50	2851 50	4065 75	3436 05
5	Wesley, C. H.			5619 90	5619 90	5	875 290 500 420 385 280 675 70 475.50	3920 50	3341 25	5040 65
		Cash Nov 1	4670 95 15980	Cash Nov 2	15980 00 3220		Cash Nov 2	19744 75 3220		19200 00 7345
6			20650 95	20650 95	19200 00	6		22964 75	22964 75	26545 00

Journal, Ledger, and Trial Balance Book.— This is a book for keeping depositors' accounts, by the improved method known as the "Boston Skeleton Banking System," which has recently come into general use by bankers.

The book contains columns for recording a synopsis of each day's business with the various depositors. It is so ruled that the banker can tell at a glance the number and amount of checks paid, the sums deposited, and the depositor's balance for each day. Provision is also made for continuing this record from day to day, without transferring the names of the depositors, or their bank balances. This book greatly lessens the work of Bank bookkeeping, and is extensively used.

To enable the student to understand the method of keeping this book, several page-forms are herewith given, accompanied by the deposit slips for the several days' business, and detailed explanations of the entries. Before attempting to use the book a careful study should be given to these entries and instructions.

Explanation of the Entries for November 1.— The deposit, $5,000, as shown by H. B. Burton's Deposit Slip is entered opposite his name in the third, or deposit, column. In the "Checks in Detail" column are entered the several amounts of all his checks that have been presented for payment or deposit on November 1. The total sum of these checks, $2,076.80, is entered in the "Total Checks" column, and the difference between this amount and the total deposits, $5,000, or $2,923.20, is entered in the "Balances" column, as the amount that stands to Burton's credit at the close of the day.

Dunn's, Hull's, and Paine's balances are found in the same manner. As C. H. Wesley drew no checks, his balance is the same as his total deposit, $5,619.90.

For an explanation of the footings, see instructions under November 2.

Explanation of the Entries for November 2.— On this day H. B. Burton's checks, as shown by the "Checks in Detail" column, amount to $3,995.50, and his deposits were $5,096.25. To get his balance for this day, we add his deposits for this day, $5,096.25, to his balance for the day before, $2,923.20, and from this sum, $8,019.45, we subtract his total checks for November 2, $3,995.50, leaving $4,023.95 for his balance at the close of November 2.

The other balances are found in the same way.

Footings Tests.— The correctness of the "Total Checks" and "Deposits" column is tested by adding to the footings of the "Total Checks" column, the total currency deposits for the day as shown by the Cash Book. The result should equal the total of the "Deposits" column.

Thus the Total Checks for November 2 amount to $19,744.75; the total currency received by deposits as shown on the Cash Book on this date is $3,220; the sum of these, or $22,964.75, equals the footings of the "Deposits," thus indicating the correctness of these columns.

To test the "Balances" column, we add the currency deposits of November 2, $3,220, to the footings of the "Balances" column for November 1 $15,980, the sum, $19,200, equals the footings of the "Balances" column for November 2. These tests should always be made at the end of each day.

DEPOSIT SLIPS FOR NOV. 1 AND 2

Deposited With
COMMERCIAL BANK.
For Account of
H. B. Burton,
Nov. 1, 19–

Currency..... 5,000
Checks:

Deposited With
COMMERCIAL BANK.
For Account of
J. M. Dunn,
Nov. 1, 19–

Currency..... 2,040
Checks:
H. B. Burton 207, 270, 225
W. S. Hull... 190.25, 260
G. H. Paine.. 140, 80, 30, 150
3,592.25

Deposited With
COMMERCIAL BANK.
For Account of
W. S. Hull,
Nov. 1, 19–

Currency..... 3,240
Checks:
H. B. Burton 100, 288
J. M. Dunn... 189
3,817

Deposited With
COMMERCIAL BANK.
For Account of
G. H. Paine,
Nov. 1, 19–

Currency..... 1,500
Checks:
H. B. Burton 266.80, 400
J. M. Dunn.. 60, 10, 315
W. S. Hull... 45, 25
2,621.80

Deposited With
COMMERCIAL BANK.
For Account of
C. H. Wesley,
Nov. 1, 19–

Currency..... 4,200
Checks:
H. B. Burton 104, 216
J. M. Dunn.. 125
263.90
W. S. Hull.... 149, 310, 252
5,619.90

Deposited With
COMMERCIAL BANK.
For Account of
H. B. Burton,
Nov. 2, 19–

Currency..... 560
Checks:
J. M. Dunn.. 275, 750.50, 505.25
W. S. Hull... 640, 800
G. H. Paine.. 30.50, 240
C. H. Wesley 875, 420
5,096.25

Deposited With
COMMERCIAL BANK.
For Account of
J. M. Dunn,
Nov. 2, 19–

Currency..... 1,460
Checks:
H. B. Burton 60, 540, 85.50
W. S. Hull... 35, 480
G. H. Paine.. 70.25, 500
C. H. Wesley 675, 840
4,145.75

Deposited With
COMMERCIAL BANK.
For Account of
W. S. Hull,
Nov. 2, 19–

Currency..... 1,200
Checks:
G. H. Paine.. 575, 450, 870.25
J. M. Dunn.. 810, 525.50
H. B. Burton 800, 810
C. H. Wesley 385, 70
6,315.75

Deposited With
COMMERCIAL BANK.
For Account of
G. H. Paine,
Nov. 2, 19–

Currency.....
Checks:
C. H. Wesley 500, 280, 475.50
J. M. Dunn.. 85.25, 60
W. S. Hull... 735, 580
H. B. Burton 710, 640
4,065.75

Deposited With
COMMERCIAL BANK.
For Account of
C. H. Wesley,
Nov. 2, 19–

Currency.....
Checks:
W. S. Hull... 705, 400, 830.25
G. H. Paine.. 70, 45.50
J. M. Dunn.. 675, 85.50
H. B. Burton 150, 380
3,341.25

	Wednesday Nov. 3, 19–				Thursday Nov. 4, 19–				Friday Nov. 5, 19–				Balance and Transfer Column
	Checks in Detail	Total Checks	Deposits	Balances	Checks in Detail	Total Checks	Deposits	Balances	Checks in Detail	Total Checks	Deposits	Balances	
1	40 330 500 35 130 480 265 1000	2745 25	1801	3 0 7 9 70	115 1335 80 280 25 8 45 550 255	4010 25	1630 75	2 7 0 0 20 1	530 535 420 50 725 50 210 320 510 25 725	4596 25	4491 25	2 5 9 5 20	35 55
2	215 495 390 230 375 495 535 50 225 50	2726 50	4200 75	4 4 7 7 35	325 710 820 35 670 275 25 205 50 345 50 60	3931 50	3391	3 9 3 6 85 2	405 335 50 600 25 90 640 50 515 375	2941 25	5915 75	6 9 1 1 35	
3	1505 0 320 760 50 485 2725 0 550	2538 50	7526	8 6 8 3 75	27 325 715 405 25 335 870 685 50 795	4081	4555 75	9 1 5 8 50 3	585 50 90 835 50 610 305 25 1440 1810	5296 25	4296	8 1 5 8 25	
4	140 605 435 1750 2050 2525 75 340 405	1666 50	3548 50	5 3 1 8 05	70 425 810 530 305 50 730 915 355	4340 50	4980 75	5 9 5 8 30 4	335 50 210 50 60 700 675 295	2216	2655 75	6 3 9 8 05	27 501 85
5	645 630 405 0 375 70 450 495 85	2790 50	2736	4 9 8 6 15	1005 280 610 225 25 320 85 285 25 335	3085 50	4415 50	6 3 1 6 15 5	495 225 435 550 580	2525	3446	7 2 5 7 15	20 9 10 65
6		12467 25 7345		26 5 4 5 00 1 5 2 5		19448 75 1325	20973 75	28 0 7 0 00 3 2 5 0		17574 75 3250	20824 75	31 3 2 0 00 8 7 0 0	48 4 1 8 50 35 55
		19812 25	19812 25	28 0 7 0 00		20973 75	20973 75	31 3 2 0 00 6		20824 75	20824 75	40 0 2 0 00	48 37 6 95

The entries for Nov. 3, 4, and 5 require no further explanation.

Transferring Balances.— It saves the bookkeeper much labor, if the balances of the various deposits can be continued through the book without the necessity of re-writing the names. This is accomplished by cutting off a portion of the right-hand margin of the page. When the page is turned, the names are still visible. When it is required to find the balances for November 8, the balances for the previous day on the preceding page may be made visible by folding over the margin of the leaf, along the ruled line immediately preceding the "Balances" column.

Deposited With
COMMERCIAL BANK.
For Account of
H. B. Burton,
Nov. 3, 19–

Currency.....	245
Checks:	
J. M. Dunn..	215
	230
W. S. Hull...	150.50
G. H. Paine..	140
	175.50
C. H. Wesley	645
	1,801.00

Deposited With
COMMERCIAL BANK.
For Account of
J. M. Dunn,
Nov. 3, 19–

Currency.....	2,000
Checks:	
H. B. Burton	40
	130
	265
W. S. Hull...	760.50
G. H. Paine..	75
	60.25
C. H. Wesley	375
	495
	4,200.75

Deposited With
COMMERCIAL BANK.
For Account of
W. S. Hull,
Nov. 3, 19–

Currency.....	4,000
Checks:	
G. H. Paine..	20.50
	340
	425
J. M. Dunn..	535.50
	695
H. B. Burton	330
	480
C. H. Wesley	630
	70
	7,526.00

Deposited With
COMMERCIAL BANK.
For Account of
G. H. Paine,
Nov. 3, 19–

Currency.....	1,100
Checks:	
C. H. Wesley	85
	40.50
	450
J. M. Dunn..	375
	225.50
W. S. Hull...	272.50
H. B. Burton	1,000
	3,548.50

Deposited With
COMMERCIAL BANK.
For Account of
C. H. Wesley,
Nov. 3, 19–

Currency	
Checks:	
W. S. Hull...	320
	485
	550
G. H. Paine..	25.25
	405
J. M. Dunn..	390
	60.50
H. B. Burton	500.25
	2,736.00

Deposited With
COMMERCIAL BANK.
For Account of
H. B. Burton,
Nov. 4, 19–

Currency	550
Checks:	
J. M. Dunn..	325
	670
	205.50
W. S. Hull...	
	275.25
G. H. Paine..	70
	530
C. H. Wesley	1,005
	3,630.75

Deposited With
COMMERCIAL BANK.
For Account of
J. M. Dunn,
Nov. 4, 19–

Currency.....	200
Checks:	
H. B. Burton	115
	280.25
	550
W. S. Hull...	335
	685.50
G. H. Paine..	915
C. H. Wesley	225.25
	85
	3,391.00

Deposited With
COMMERCIAL BANK.
For Account of
W. S. Hull,
Nov. 4, 19–

Currency.	350
Checks:	
G. H. Paine..	425
	505.50
	355
J. M. Dunn..	710
	275.25
H. B. Burton	1,335
C. H. Wesley	280
	320
	4,555.75

Deposited With
COMMERCIAL BANK.
For Account of
G. H. Paine,
Nov. 4, 19–

Currency.....	425
Checks:	
C. H. Wesley	205.25
	335
	630
J. M. Dunn..	
	865.50
W. S. Hull...	715
	870
H. B. Burton	90
	845
	4,980.75

Deposited With
COMMERCIAL BANK.
For Account of
C. H. Wesley,
Nov. 4, 19–

Currency.....	
Checks:	
W. S. Hull...	795
	405.25
G. H. Paine..	810
	730
J. M. Dunn..	60
	820.25
H. B. Burton	315
	480
	4,415.50

Deposited With
COMMERCIAL BANK.
For Account of
H. B. Burton,
Nov. 5, 19–

Currency.....	1,200
Checks:	
J. M. Dunn..	405
	600.25
W. S. Hull...	585.50
	610
G. H. Paine..	335.50
	60
C. H. Wesley	695
	4,491.25

Deposited With
COMMERCIAL BANK.
For Account of
J. M. Dunn,
Nov. 5, 19–

Currency.....	1,400
Checks:	
H. B. Burton	530
	725.50
	510.25
W. S. Hull...	1,660
G. H. Paine..	615
C. H. Wesley	475
	5,915.75

Deposited With
COMMERCIAL BANK.
For Account of
W. S. Hull,
Nov. 5, 19–

Currency.....	650
Checks:	
G. H. Paine..	
	210.50
	700
J. M. Dunn..	515
	335.50
H. B. Burton	575
	730
C. H. Wesley	580
	4,296.00

Deposited With
COMMERCIAL BANK.
For Account of
G. H. Paine,
Nov. 5, 19–

Currency.....	
Checks:	
C. H. Wesley	225
	550
J. M. Dunn..	70
	640.50
W. S. Hull...	90
	305.25
H. B. Burton	775
	2,655.75

Deposited With
COMMERCIAL BANK.
For Account of
C. H. Wesley,
Nov. 5, 19–

Currency.....	
Checks:	
W. S. Hull...	1,210
	835.50
G. H. Paine..	295
J. M. Dunn..	375
H. B. Burton	430.50
	320
	3,466.00

	NAMES	Monday, Nov. 8, 19– Checks in Detail	Total Checks	Deposits	Balances		Tuesday, Nov. 9, 19– Checks in Detail	Total Checks	Deposits	Balances	
1	Burton, H. B.	250 735.25 510 40.75 80 570 325 415 1500	4426	3155.75	1324.95	1	700 65.25 725.50 60 730.25 65.25 105	2471.25	2870.75	1724.45	1
2	Dunn, J. M.	425 570 200.50 300 75.25 25 25.50 40.50	1711.75	6536.25	11735.85	2	850 400 770 475 25.25 360	2890.25	2845.50	11701.10	2
3	Hull, W. S.	220 725 780.50 810 525 80.25	3140.75	6145.50	11143	3	235 500 400 850 650 60 35	2730	1515.75	9948.75	3
4	Paine, G. H.	65.25 140 40.25 355 500 705 305 480	2590.50	4325.75	8133.30	4	540 80.50 735.25 175.50 550	2081.25	3080.50	9132.55	4
5	Wesley, C. H.	515 600 195 660 740	2710	3115.75	7669.90	5	50.50 75 800 400 70 10.25 330 350 350	2495.75	2346	7513.15	5
6			14 579.00 8 700	23279.00	40 020.00			12658.50	12658.50	40 020.00 1 450.00	6
			23279.00	23279.00	40 020.00	6		12658.50	12658.50	38 570.00	

Explanation for November 8.—On this date there is a check of $1,500, which H. B. Burton drew and had cashed on his account. As Cash is credited in the Cash Book for this withdrawal, it is necessary in testing the "Checks in Detail" and "Deposits" column, to add the excess of cash deposited over the withdrawals, instead of the total currency deposited as heretofore.

Explanation for November 9.—On this date no currency was either deposited or paid out, hence the footings of the "Checks in Detail" and "Deposits" columns will agree. Also the footings of the "Balance" column will agree with the footings of the "Balance" column of the 8th.

Deposited With
COMMERCIAL BANK.
For Account of
H. B. Burton,
Nov. 8, 19–

Currency.....		1,200
Checks:		
J. M. Dunn..	425	
	300	
	75.50	
W. S. Hull...	220	
G. H. Paine..	65.25	
	355	
C. H. Wesley	515	
		3,155.75

Deposited With
COMMERCIAL BANK.
For Account of
J. M. Dunn,
Nov. 8, 19–

Currency.....		4,500
Checks:		
H. B. Burton	250	
	40.75	
	325	
W. S. Hull...	780.50	
G. H. Paine..	305	
	140	
C. H. Wesley	195	
		6,536.25

Deposited With
COMMERCIAL BANK.
For Account of
W. S. Hull,
Nov. 8, 19–

Currency.....		3,000
Checks:		
G. H. Paine..	500	
	480	
	40.25	
J. M. Dunn..	570	
H. B. Burton	745.25	
	80	
C. H. Wesley	740	
		6,145.50

Deposited With
COMMERCIAL BANK.
For Account of
G. H. Paine,
Nov. 8, 19–

Currency.....		1,500
Checks:		
C. H. Wesley	600	
	660	
J. M. Dunn..	75.25	
	40.50	
W. S. Hull...	525	
H. B. Burton	415	
	510	
		4,325.75

Deposited With
COMMERCIAL BANK.
For Account of
C. H. Wesley,
Nov. 8, 19–

Currency.....		
Checks:		
W. S. Hull...	725	
	810	
	80.25	
G. H. Paine..	705	
J. M. Dunn..	200.50	
	25	
H. B. Burton	570	
		3,115.75

Deposited With
COMMERCIAL BANK.
For Account of
H. B. Burton,
Nov. 9, 19–

Currency.....		
Checks:		
J. M. Dunn..	850	
	770	
	25.25	
W. S. Hull...	235	
G. H. Paine..	540	
C. H. Wesley	50.50	
	400	
		2,870.75

Deposited With
COMMERCIAL BANK.
For Account of
J. M. Dunn,
Nov. 9, 19–

Currency.....		
Checks:		
H. B. Burton	700	
	60	
	95.25	
W. S. Hull...	850	
G. H. Paine..	735.25	
C. H. Wesley	330	
	75	
		2,845.50

Deposited With
COMMERCIAL BANK.
For Account of
W. S. Hull,
Nov. 9, 19–

Currency.....		
Checks:		
G. H. Paine..	550	
	80.50	
J. M Dunn..	400	
H. B. Burton	65.25	
C. H. Wesley	70	
	350	
		1,515.75

Deposited With
COMMERCIAL BANK.
For Account of
G. H. Paine,
Nov. 9, 19–

Currency.....		
Checks:		
C. H. Wesley	800	
	70.25	
	350	
J. M. Dunn..	475	
W. S. Hull...	60	
	500	
H. B. Burton	720.25	
	105	
		3,080.50

Deposited With
COMMERCIAL BANK.
For Account of
C. H. Wesley,
Nov. 9, 19–

Currency.....		
Checks:		
W. S. Hull...	650	
	35	
	400	
G. H. Paine..	175.50	
J. M. Dunn..	360	
H. B. Burton	725.50	
		2,346.00

	Wednesday, Nov. 10 19				Thursday, Nov. 11, 19				Friday, Nov. 12, 19				Balance and Transfer Column
	Checks in Detail	Total Checks	Deposits	Balances	Checks in Detail	Total Checks	Deposits	Balances	Checks in Detail	Total Checks	Deposits	Balances	
1	900 430 300 175.25 240 160 80 280 90	2805 25	2416	1 335 20	825 60.50 115 70.50 250.25 300 400 320	2271 25	3525 50	2589 45 1	1000 825 300 500	2625			
2	225 600 475.25 350 300 550	3675 75	2650 75	10 676 10	225 315.25 400 160 110 370 605.25	2675 50	3010 50	11011 10 2	14336.60	14336 60	3425 50		35 55
3	280.50 475 1450 550 640.50 1 20	3496	2175 75	8 628 50	730 570 650 840.25 700 90	3580 25	2750 75	7799 3	7799	7799			
4	430.50 350 300 335 25 630.50 80	2150 50	3010 25	9992 30	410.25 290 405 540	1635 25	3541 00	11898 05 4	825 800 70.25	1695 25	301 95 1699 10		27501 85
5	70.50 45 780 105 30.25 345 510 400 100	2165 75	2590 50	7937 90	35.25 60 85.50 400 325 300 260	1555 75	2995 25	9377 40 6	250 275.50 480.25 60	1065 75	12599		20910 65
		14293 25	12843 25	38 570 00		11718 00	15823 00	42675 00		24021 60			48 41 8 50
			1450	4105		4105		5701 95		5701 95			35 55
6		14293 25	14293 25	42 675 00		15823 00	15823 00	48 37 495 6		33723 55	33723 55		48 376 95

Explanation for November 10.—On this date more currency was withdrawn than was deposited, hence in proving the checks and deposits columns, the excess withdrawn must be added to the footing of the deposits column, the footing agreeing with the footing of the checks column.

Explanation for November 12.—On this date two of the depositors, Hull and Dunn, have closed their accounts, and it is decided to drop their names and transfer the names of the other depositors to a new page. For this reason the margin of the page is not removed, and the balances for the day are entered in the "Balance and Transfer Column" instead of in the usual Balance column.

As H. B. Burton has drawn checks on this date to an amount greater than his previous balance, and as he made no deposits during the day, his account is overdrawn to the amount of $35.55, which overdraft is entered in *red ink* in the balance and transfer column. This overdraft must be subtracted from the total sum of the balances column to give the amount due the depositors, which sum is $48,376.95.

DEPOSIT SLIPS FOR NOV. 10, 11, AND 12.

Deposited With
COMMERCIAL BANK.
For Account of
H. B. Burton,
Nov. 10, 19–

Currency.....		
Checks:		
J. M. Dunn..	225	
	750	
	300	
W. S. Hull...	200.50	
G. H. Paine..	430	
	335	
C. H. Wesley	70.50	
	105	
		2,416.00

Deposited With
COMMERCIAL BANK.
For Account of
J. M. Dunn,
Nov. 10, 19–

Currency.....		
Checks:		
H. B. Burton	800	
	175.25	
	80	
W. S. Hull...	550	
G. H. Paine..	630.50	
C. H. Wesley	370	
	45	
		2,650.75

Deposited With
COMMERCIAL BANK.
For Account of
W. S. Hull,
Nov. 10, 19–

Currency.....		
Checks:		
G. H. Paine..	350	
	25	
J. M. Dunn..	600	
	50.50	
H. B. Burton	480	
	240	
C. H. Wesley	30.25	
	400	
		2,175.75

Deposited With
COMMERCIAL BANK.
For Account of
G. H. Paine,
Nov. 10, 19–

Currency.....		
Checks:		
C. H. Wesley	700	
	345	
	100	
J. M. Dunn..	550	
	475.25	
W. S. Hull...	60	
H. B. Burton	280	
	500	
		3,010.25

Deposited With
COMMERCIAL BANK.
For Account of
C. H. Wesley,
Nov. 10, 19–

Currency.....		
Checks:		
W. S. Hull...	475	
	640.50	
	120	
G. H. Paine..	80	
	300	
J. M. Dunn..	725	
H. B. Burton	160	
	90	
		2,590.50

Deposited With
COMMERCIAL BANK.
For Account of
H. B. Burton,
Nov. 11, 19–

Currency.....	1,205	
Checks:		
J. M. Dunn..	225	
	150	
	370	
W. S. Hull...	730	
G. H. Paine..	410.25	
C. H. Wesley	35.25	
	400	
		3,525.50

Deposited With
COMMERCIAL BANK.
For Account of
J. M. Dunn,
Nov. 11, 19–

Currency.....	700	
Checks:		
H. B. Burton	825	
	70.50	
W. S. Hull...	650	
G. H. Paine.	405	
C. H. Wesley	300	
	60	
		3,010.50

Deposited With
COMMERCIAL BANK.
For Account of
W. S. Hull,
Nov. 11, 19–

Currency.....	850	
Checks:		
G. H. Paine..	540	
J. M. Dunn..	315.25	
H. B. Burton	400	
	60.50	
C. H. Wesley	325	
	260	
		2,750.75

Deposited With
COMMERCIAL BANK.
For Account of
G. H. Paine,
Nov. 11, 19–

Currency.....	1,350	
Checks:		
C. H. Wesley	85.50	
	90	
J. M. Dunn..	110	
	605.25	
W. S. Hull...	700	
H. B. Burton	280.25	
	320	
		3,541.00

Deposited With
COMMERCIAL BANK.
For Account of
C. H. Wesley,
Nov. 11, 19–

Currency.....		
Checks:		
W. S. Hull...	570	
	840.25	
	90	
G. H. Paine..	280	
J. M. Dunn..	900	
H. B. Burton	115	
	200	
		2,995.25

Deposited With
COMMERCIAL BANK.
For Account of
J. M. Dunn,
Nov. 12, 19–

Currency.....	900	
Checks:		
H. B. Burton	1,000	
	300	
G. H. Paine..	825	
	70.25	
C. H. Wesley	250	
	480.25	
		3,825.50

Deposited With
COMMERCIAL BANK.
For Account of
G. H. Paine,
Nov. 12, 19–

Currency.....	1,000	
Checks:		
H. B. Burton	825	
C. H. Wesley	275.50	
	60	
J. M. Dunn..	14,836.60	
		16,997.10

Deposited With
COMMERCIAL BANK.
For Account of
C. H. Wesley,
Nov. 12, 19–

Currency.....	3,500	
Checks:		
H. B. Burton	500	
G. H. Paine.	800	
W. S. Hull...	7,799	
		12,599

State Bank (Incorporated).— The following opening entry is a form for an incorporated State bank where the capital stock is paid up, and the corporation property consists of a number of items. For other conditions and methods of opening, the student is referred to the instructions under "Corporations."

CHICAGO, ILL., DEC. 1, 19–

C. B.	Cash	65,000		
	Real Estate	8,000		
	Fixtures	2,000		
	Mortgages Receivable	20,000		
	Bills Receivable	5,000		
	To Capital Stock			100,000
	For the nominal amount of the Capital Stock of the College Bank, incorporated upon the basis of $100,000 Capital Stock, divided into 1,000 shares of $100 each, and issued to the incorporators and associates at their par value as follows:			
	M. J. Pease, 100 shares, Furnished Real Estate $6,000, Cash $4,000.			
	W. S. Hull, 50 shares, Furnished Real Estate $2,000, Cash $3,000.			
	J. E. Martin, 300 shares, Furnished Mortgages Receivable $15,000, Cash $15,000.			
	C. E. Howard, 250 shares, Furnished Mortgages Receivable $5,000, Cash $20,000.			
	O. L. Miller, 300 shares, Furnished Bills Receivable $5,000, Furniture $2,000, and Cash $23,000.			

If the concern is a mere partnership affair and not incorporated, the opening entry will not differ materially from that of any other partnership concern, except that "Capital Stock" is credited with the net investment instead of opening different stock accounts with the several partners.

If a single proprietor engages in the private banking business, his investment consisting entirely of cash, the following entry would be used:

CHICAGO, ILL., DEC. 1, 19–

C. B.	Cash	100,000		
	To Capital Stock			100,000
	For the nominal amount of the Capital Stock of the Merchants Bank, organized on this date by W. S. Hull, in accordance with the laws of the State of Illinois, with a capital of $100,000.			

Cash Book.— This book is used as in ordinary business, although a form with special columns for Discounts, Deposits, Bills Discounted, etc., is sometimes used.

The following form illustrates the use of a Cash Book for an ordinary banking business:

CASH BOOK

			July 10, 19–				**July 10, 19–**				
19–						19–					
			M. J. Pease on Stock acct.		3,000	July	12	Office Fixtures, Globe Mfg. Co.		2,000
			W. S. Hull " " "		1,000			Office Fixtures, Hall Safe & Lock Co.		3,000
			C. E. Howard " " "		5,000					
			O. L. Miller " " "		6,000					
			D. Jacobs Dep. "		1,000					
			W. J. Sherman "		500					
			E. P. Snyder "		100					
			Paul Price "		600					
			A. A. Anderson "		1,000					
July	11	I.	Cash A. A. Anderson		1,000					

DRAFT REGISTER

Drafts Drawn on *First National Bank of New York*

Date	To whose order	No.	Seperate Amounts	Total Amounts	Exchange Amounts	Total Exchange	To whom sold
	H B Burton	1	200		25		
	J M Dunn	2	400		50		
	W S Hull	3	100		15		H W Grill
	G H Paine	4	500	1350	125	2 35	
	C H Wesley	5	150		20		
	E B Proctor		3 00		38		
	A M Carter		1 50		20		
	G B Stone		2 60		25		
	Amts Fwd		7 10		83		

This book is used for recording the various drafts drawn on other banks. Usually a different book is used for each bank; but if desirable, one book may be used, several pages being allotted to each bank drawn upon, the number depending upon the amount of business done with the several banks. As soon as a credit has been opened with a bank and drafts are drawn, they are recorded as shown in the accompanying form.

At the close of each day's business the draft register is ruled with a single red ink ruling and the amounts of the various columns are transferred to the extension column, from which they are transferred to the Journal under the proper heading. The items are then posted to their respective accounts in the Ledger.

Some banks post direct from the Draft Register to the Ledger, but it is preferable to transfer all items from the books of original entry to the Journal, as the Journal will then show a complete history of the day's business, and enables an auditor or examiner to ascertain much more easily just what has been done.

Certified Check Register.—Part of the duty of the cashier of a bank is to certify checks, except when in the case of large institutions this duty devolves upon the paying teller or some other bank clerk to whom the authority to certify checks has been delegated. Great care should be exercised by the person certifying the check, to see that the depositor has the amount actually on deposit for which the check calls. The revised statute, according to Section 5,208, makes it an offence "for any officer, clerk, or agent of any national banking association to certify any check drawn upon the association, unless the depositor or party drawing the check has on deposit with the association at the time such check is certified an amount of money equal to the amount specified in such check." It is right that the law with reference to the certification of checks should be so strict, and the sentence for violating this law is to place the bank in the hands of a receiver, and the punishment of the officer by a fine of not more than $5,000, or imprisonment for not more than five years, or both, at the discretion of the court.

Every bank keeps some form of record in which is recorded the date of every check certified, to whose order the check is payable, the amount of the check, and the date of payment. When a check is certified it should be immediately charged to the account of the maker.

The items are transferred from the Certified Check Register to the Bank Journal each night and are posted to the credit side of the Certified Check account of the General Ledger. When a check that has been certified comes in for payment, it is debited through the Journal to the Certified Check account in the General Ledger, and is marked "paid" in the Certified Check Register.

It is customary for most banks to pay certified checks as they come in during the day, just the same as any other check would be paid, but at night, in place of charging them to the account through the Daily Deposit Ledger, the certified checks are sorted by themselves and properly recorded in the Journal.

The reason why these checks are not charged to the depositors' account when they come in, is because the depositors' account should invariably be charged with the amount of the check at the time it is certified; the reason for which should be very plain to the thinking student.

Certificates of Deposit.—A Certificate of Deposit is a written form, certifying that some person has deposited a certain sum of money, payable to the order of himself, or to some one else, whose name must be specified on the face of the certificate. Certificates of Deposit are made payable on demand, so many days after date, so many months after date, or at some other specified time.

A Certificate of Deposit is not subject to check, and should so state on its face.

A Certificate of Deposit may draw interest or not, according to the conditions expressed in the certificate. Many banks prefer to issue Certificates of Deposit for funds to be left with them at interest for any length of time, as the bank is then able to look over its Certificate of Deposit Register, and know, so far as the Certificates of Deposit are concerned, exactly what amount of money they may be called upon to pay at a certain specified time. The fact that money cannot be drawn on Certificates of Deposit makes them inconvenient for ordinary commercial purposes, but where a person has surplus funds that he wishes cared for at interest, for a few months, or a longer time, the Certificate of Deposit will be found very convenient.

If the one obtaining the Certificate of Deposit should have it made payable to himself, or to his order, he should leave his own signature at the bank at the time of obtaining the Certificate of Deposit, but if the Certificate of Deposit is payable to the order of some one else, this is not necessary.

A Certificate of Deposit should never be issued by a bank to an individual without the bank obtaining a receipt for the Certificate of Deposit. A form should be filled out by the one desiring the Certificate of Deposit, showing exactly to whose order the Certificate of Deposit is to be payable, the amount for which it is issued, the time to run, and any other details in connection with it, as well as the name of the person wishing the Certificate of Deposit; just as much so as in the receipt for ordinary deposits, or for the issuance of Bank Drafts.

If a check is given in payment for a Certificate of Deposit, the check should so state on its face.

When Certificates of Deposit are paid by the bank, they are filed away for further reference.

Certificate of Deposit Register.—In most banks, and especially where the Certificates are made in a tablet, it is necessary to keep a record of all Certificates of Deposit issued, in a book called a Certificate of Deposit Register. This book is ruled so as to show the date of issuance, the number, to whose order payable, when due, the amount, when paid, and the amount paid. The object of having a special column for the amount paid, is because that sometimes only a part of a Certificate of Deposit is paid, and a new Certificate is issued for the unpaid portion, and also because in the case of the Certificate of Deposit bearing interest, the amount paid would be larger than the amount for which the certificate was issued by the amount of interest accrued.

Certificates of Deposit should be immediately entered in the Certificate of Deposit Register at the time of issuance, and at night all such entries are transferred from the Certificate of Deposit Register to the Journal, and posted from the Journal to the credit side of the Ledger account.

BANK JOURNAL CR., Tuesday

	DEPOSITS		L. F.	GENERAL LEDGER ITEMS	
	Bal. fwd.	4,354,796		Bills Rec. Reg. No. 26	1,000
	O. C. Dailey	3,074		Int. & Dis. Reg. No. 26	3
	O. B. Mills	5,100		Collection Reg. No. 42	2 5
	O. E. Pratt	3,044		Certified Cks. Reg. No. 91	1,000
	W. B. Brown	2,400		Cert. of Dep. Reg. No. 38	4,000
	A. E. Dailey	6,000		Sundries	
				1st Nat'l Bank	3,000
				Chem. Nat'l Bk.	96,42
		4,373,084,796			1,054,525
					4,373,084,796
					4,478,540,821

When a Certificate of Deposit is paid, an entry is made in the Bank Journal directly from the Certificate of Deposit itself, after which the payment is properly recorded in the Certificate of Deposit Register, the amount being correctly posted from the Journal to the debit side of the Ledger account.

CASH BOOK OR JOURNAL

As everything pertaining to a bank is called Cash, the principal book from which the various items are posted to the General Ledger is called the Bank Journal. No specific information can be given with reference to this book, as it will vary greatly according to the conditions and size of the bank. Nearly every bank has a specially ruled form for its Journal work, but the principle involved is identically the same in each bank. The form given herewith is suitable for an ordinary sized banking institution. The printed headings would vary according to the nature of its business.

The headings given in the accompanying form are such as would be found in any Bank Journal, and the additional headings will be very quickly understood by the student when he reaches the business office.

All amounts received on deposit are entered in the column for that purpose; and all amounts affecting the credit side of depositors account must be entered in the Deposits column. The footing of this column is used at the close of each day's business in connection with the Sundry and other columns of the Cash Journal, to test the correctness of the Cash balance. All amounts paid out on checks or any amount affecting the debit side of the Depositors' account must be entered in the column for that purpose, and the total of this column is used for determining the correctness of the Cash Balance.

All items of the daily business are transferred from the original books of entry to the Bank Journal and are then posted from the Bank Journal to the General Ledger, with the exception of the checks and drafts. Items affecting the credit side of the Depositors' accounts, such as deposits, credits for drafts, collections, etc., are entered directly in the Deposits column from the Deposit Ticket, or other vouchers; while items affecting the debit side of the account, such as checks, drafts accepted and charged to account, etc., are entered directly in the column provided for that purpose from the vouchers themselves. The items of the Deposits and Check column are not posted, but the total is used for verifying the Cash Balance, and also to verify the total checks and the total deposits, as recorded in the individual ledger.

The Cash Journal should be ruled and closed at the end of each day's business, and the Cash Balance transferred to the following page.

Sometimes an ordinary Cash Book is used in small banks for recording these transactions, and the method of using it would not materially differ from that with which you are already familiar.

BANK JOURNAL DR., July 20, 19

CHECKS		L. F.	GENERAL LEDGER ITEMS	
O. W. Pratt $100.00 300.00	400		Bills Rec. Reg. No. 42	1246
B. B. Burton $300.00 200.00	500		Int. & Dis. Reg. No. 42	124
A. M. Brown	642		Collections Reg. No. 43	35
W. B. Brown	100		Certified Cks. Reg. No. 128	60105
O. E. Mills	320		Cert. of Dep. Reg. No. 346	703
A. B. Custer	100		Sundries	
R. Buider $3.40 2.10	550		Chem. Nat'l Bk.	9600
			1st Nat'l Bank	7000
	20675 0			1915164
				20675 0
			Bal. on Hand	42663507
				447854 21

How Checks are Certified.—The customary way of certifying checks is to write "Certified," together with the date and the signature of the bank official certifying such check. Another form is to write the word "good," together with the date and proper signature. Some banks write across the face of the check "Good when properly endorsed," together with the date and the signature of the officer.

When presenting checks to the bank for certification, it is not necessary that the holder of the check make inquiry as to whether the bank officer who certifies it has the proper authority or not, because the bank would be holding for the amount of the check if any member of the bank force certified it; but, of course any honest bank clerk would refer the one presenting the check for certification to the proper official.

A bank cannot be compelled to certify a check. If, for any reason, the banker prefers to do so, he may pay the check rather than certify it, and most banks rightly refuse to certify checks for small amounts. It is better for the bank and for the depositor to obtain some other form of paper from the bank.

Money for Pay Roll.—Where a bank has among its depositors a large number of manufacturing institutions, the bank is generally willing to arrange money in certain forms, or to pay the amount of a check in certain denominations for the convenience of the depositors in paying their employees their wages. Many banks have a specially prepared form which they furnish to their customers. These forms are so ruled as to indicate the name of the firm desiring the money, the date, the total amount required, and the various denominations. This is convenient both to the bank and to the customers. These blank forms are retained by the paying teller, and become one of his vouchers exactly the same as a check. Some depositors write their checks in the ordinary form for the amount required, and then on the back of the check make a list of the various denominations desired. Another plan is to furnish the paying teller a separate slip with denominations noted. All these methods employ practically the same form for indicating the required denominations, but use the form in different ways. (See accompanying form.)

PAY ROLL.

COLLEGE PRODUCE CO.

BATTLE CREEK, MICH.

TWENTIES						
TENS						
FIVES						
ONES						
HALVES						
QUARTERS						
DIMES						
NICKELS						
CENTS						
TOTAL						

Unpaid Commercial Paper.—As an office employee, you should take great care to refer to the business manager of the concern where you are employed, all unpaid commercial paper before resorting to extreme measures. If you give paper to a Notary Public to protest, it is a safe plan for you to obtain a receipt from the Notary Public for such paper, or to make a record of such paper in some small book. No special ruling would be necessary in such a book as it would be merely a record to enable you to determine where such commercial papers were.

Bills Rediscounted.—Sometimes when a bank is in need of ready money it will discount the notes receivable it holds, to another bank, for ready money. The notes thus hypothecated are spoken of as "Bills Rediscounted."

PART II

OF BOOKKEEPING AND BUSINESS IN GENERAL

CHAPTER I. —Principles and Classifications

Business.—A business is any commercial enterprise entered into by an individual, a firm, or a corporation for purposes of pecuniary gain.

Bookkeeping.—Bookkeeping is the art of making permanent and properly classified records of all facts that affect the finances of a business.

Bookkeeper, Accountant, Auditor.—There is so much misuse of the words bookkeeper, accountant, and auditor, that it seems well at this time to point out broadly the distinction. The bookkeeper is the person that has charge and custody of the books and records, and makes the entries in the books in accordance with the accountant's outline and scheme for the accounts, just as the carpenter follows the architect's design.

The central thought of accountant is that of construction and interpretation.

The central thought of auditor is that of verification, which necessarily includes interpretation.

Financial Quantities.—Bookkeeping deals with the measurements and the adjustment of four general classes of financial quantities.

1. Resources, including all property, debts receivable, or other things of value belonging to the business.
2. Liabilities, including all debts of whatever character, for the payment of which the business is liable.
3. Gains or profits, including all increases in the proprietor's resources arising from any transaction or series of transactions.
4. Losses, including all diminishments in the proprietor's resources, arising from any transaction or series of transactions.

The Unit of Measurement for the Financial Quantities of bookkeeping consists of the legal monetary units or "money of account" of the country in which the business is conducted.

Thus, in the United States and Canada the money of account is dollars and cents, while in Great Britain it is pounds, shillings, and pence.

Note—Sometimes an extensive business is conducted by means of one principal establishment (Main House) and several subordinate establishments (Branch Houses) situated in different countries. In this case the money of account for each of the Branch Houses would be that of the country in which the Main House is situated.

Transaction.—A Business Transaction is any arrangement entered into by two or more persons, firms, or corporations, through the terms of which the financial interest of each party is affected.

Twofold Character.—Every transaction is twofold in its nature, and opposite in its effects as to the parties. Thus, in any dealing in which we receive one kind of property or resource, we part with, or agree to part with, its equivalent in the same or another kind of property, or resource; what one party to the transaction gives, the other receives.

Debit and Credit.—To express the twofold nature, or effect, of a transaction, recourse is had to the terms Debit and Credit.

A Debit is a charge, or a record against.

A Credit is an allowance, or a record in favor of.

Entry.—An Entry is any formal record of a transaction, together with the debits and credits involved in it.

Account.—An Account is a systematic arrangement of the debits and credits which pertain to any one person, firm, kind of property, or source of gain or loss. The accounts of a business usually appear in the Ledger although certain accounts are often kept in special books.

If both the debits and the credits arising from each transaction are entered equal in amount, the system is called Double Entry. If the debits alone, or the credits alone, are entered, the system is called Single Entry.

Double Entry Bookkeeping.—Double Entry Bookkeeping proceeds upon the principle that the debits and the credits arising from any transaction are equal in amount, and, hence, that the total sum of the debits in the Ledger should equal the total sum of the credits.

Classification of Accounts.—By the Classification of Accounts is meant the forming of ordinary ledger accounts into groups or classes with respect to some general difference in the nature of the accounts comprising the different groups. Various systems of classification have been suggested by different authors, the more important of which we give here. For a more complete discussion of Classification of Accounts, see pages 35 and 36.

Classification No. 1.—First with respect to the nature of the quantity measured, accounts have been divided into:

1. Real Accounts, or those representing actual resources or liabilities, as Cash, Bills Payable, Bills Receivable, and all Personal accounts.
2. Nominal Accounts, or those that stand for different sources of loss or gain, as Expense, Insurance, Merchandise, Interest, etc.

These groups have also been called respectively, Real Accounts and Representative Accounts.

Classification No. 2.—With regard to their relation to the business, accounts have been divided into:

1. Personal accounts, or those that represent all persons who owe, or are owed by the business, "on account." These accounts really have a twofold existence. Thus, our account with John Smith is the same as John Smith's account with us, except that the sides are reversed, our debits being his credits and vice versa.

Personal accounts have been grouped into:

(*a*) Accounts Receivable, or those that represent resources; and

(*b*) Accounts Payable, or those that represent liabilities.

2. Proprietary Accounts, or all accounts other than personal, and for which there is no corresponding account on another person's books.

Proprietary accounts have also been called "Impersonal," "Non-personal," "Representative," "General," and the like.

Classification No. 3.—With respect both to their nature and to their relation to the business, accounts have been classified into:

Property accounts, or those that represent the cash, effects, chattels, etc., belonging to the business, as Cash, Real Estate, Merchandise, Store Fixtures, etc.

2. Personal Accounts, or all accounts with persons.

3. Auxiliary Accounts, or all accounts formed for the purpose of exhibiting such gains and losses as are not shown by the property accounts, also those used merely for convenience in showing the condition of the business, as the Loss and Gain account, Expense, Proprietor's Stock account, Interest and Discount, etc.

Special Classes.—Accounts have been further grouped into:

1. Current or Running Accounts, or itemized accounts in which the items occur in the order of their dates. Such accounts are not usually ruled up, but are left open, and in finding their balance, the date on which the various items are entered is taken into consideration.

Current Accounts are usually either consignment accounts or personal accounts.

2. Summary Accounts, or those in which each item is an aggregate that is shown by the balance of some other account.

3. Capital Accounts, or those formed for the purpose of showing all or a part of the investment, either at the beginning or at the close of the business. Examples: The proprietor's Stock Account, also the Franchise, and the Surplus Account in Corporation Books.

Remark—The author does not think it incumbent upon the student to adopt any of the above described classifications to the exclusion of the others; but it is well for him to be familiar with them all, in order that he may understand what is meant by financial writers when they employ them.

Subdivision of Accounts.—By the Subdivision of an Account is meant the various divisions, or parts, into which a general account may be divided, to meet the special bookkeeping requirements of a given business.

For illustration: It may be found desirable to keep the Merchandise account under a number of divisions, each representing a special department or a particular class of goods, as the Produce account, Coal account, Farm Machinery account, etc. In an extensive manufacturing business, or in department stores it is often necessary thus to subdivide the Merchandise account into many divisions. This subdivision of the Merchandise account is well illustrated in the Voucher System as given in Part 1.

The Expense Account is often similarly divided into Rent account, Fuel account, Employment account, etc.

The number and character of the accounts that are kept will depend altogether upon the peculiarities of the business, and upon the particularity that is desired in exhibiting the various sources of losses and gains, resources and liabilities.

Of course no general enumeration of all the accounts that might be kept is necessary, or even possible. In drafting a set of accounts to be used in a given business, the capable accountant will be unhampered by any conventional rules. He should consult the proprietors as to what results they wish the books to exhibit, and then open whatever accounts seem best adapted to show these results clearly.

It should constantly be borne in mind that accounting is a flexible art, and that the number and character of the accounts that are best adapted to a business, also the special devices to be employed in keeping them, must depend entirely upon the nature and requirements of the business, and the facilities at the hands of the bookkeeper.

CHAPTER II.—Books of Record

Three Processes.—Double Entry Bookkeeping as a whole comprises three distinct and fundamental processes:

1. The preparation of a plain, complete, and readily accessible record of each separate business transaction.

2. The determination of the debits and credits arising from each transaction, and the assemblage of these under their appropriate accounts in the Ledger.

3. The periodical comparison of the balances of the various accounts, with a view, first, to test the accuracy of the books, and second, to set forth clearly and in detail, the amounts and sources of all losses and gains during a given period, and the condition of the business as to the resources and liabilities at the close of that period.

Primitive Bookkeeping.—In the early history of bookkeeping but two general books of record were used: (1) A book conveniently arranged for recording transactions, and known as a Day Book from the circumstance that it was used each day; and (2), a Ledger (so-called from an old Hollandish word meaning to lie, to rest, in a permanent place), a book in which the records of the transactions were from time to time classified and arranged for permanent reference.

The origin of a "double entry" for corresponding debits and credits is unknown, but the custom is, without doubt, a very ancient one.

About a century ago, an intermediate book, between Day Book and Ledger, was introduced, the purpose of which was the preliminary arrangement of the debits and credits with a view to facilitate posting to the Ledger. This book was called the Journal, meaning "daily" or "diurnal," from the French jour, a day. These books comprised the "bookkeeper's trinity" of "Day Book, Journal, and Ledger," which for many years constituted the only books kept in most kinds of business; and indeed they are still the only books used in some conservative establishments.

As these three books constitute the essential and fundamental books of record, out of which all of the many modern special books have been evolved, it is thought best to present here a short description of each, as it was formerly used.

Day Book.—As before stated, this book was used merely to present a history of the transaction. It contained a date column and a single money column, though sometimes two money columns were used, one for the several items of a purchase, and another for the extensions.

The following forms illustrate both forms of this book and the manner of recording the transactions

SINGLE COLUMN DAY BOOK **Chicago, Ill., Jan. 16, 19___**

	Sold to C. H. Day on a/c			
	7 tons Massillon Coal	$2.00	$14.00	
	3 cords Oak Wood	4.00	12.00	26 00
	—17—			
	Settled my account with Jennings & Co. to date,			
	giving them my note at 30 days.			75 25
	—19—			
	Bo't of Miller & Sons on a/c at 60 days			
	Mdse as per Inv. No. 18			121 40

DOUBLE COLUMN DAY BOOK **Chicago, Ill., Jan. 16, 19____**

	Sold C. H. Day on a/c				
	7 tons Massillon Coal	$2.00	14		
	3 cords Oak Wood	4.00	12		26 00
	—17—				
	Settled my account with Jennings & Co. to date,				
	giving them my note at 30 days.				75 25
	—19—				
	Bo't of Miller & Sons on a/c at 60 days				
	Mdse as per Inv. No. 18				121 40

Journal.—This book was used for the recording of the debits and the credits that arise from the various transactions, and for facilitating their posting to the Ledger.

The following form illustrates its use, the entries being those required for the transactions recorded in the foregoing Day Book forms:

Chicago, Ill., Jan. 16, 19____

L		Drs.	Crs.
16	C. H. Day, Dr.	26 00	
5	To Mdse		26 00
	—17—		
21	Jennings & Co., Dr.	75 25	
40	To Bills Payable		75 25
	—19—		
5	Mdse, Dr.	121 40	
28	To Miller & Sons		121 40

Combined Journal and Day Book.—The advantage of combining the records of the Day Book and the Journal in a single book was soon appreciated by practical bookkeepers; and in recent years the older forms of the separate Day Book and Journal are seldom used, the form generally adopted being the one which has been used in the introductory business divisions of this course.

Ledger.—This book has been used from very ancient times. At first it was a mere blank page divided into two equal divisions by a vertical line surmounted by a cross line, upon which was written the heading, or title, of the account. To the left of the vertical line were entered the charges, or debits, and on the right, the allowances or credits. Later, other rulings were added for dates, money columns, etc.

At first it was customary to itemize the ledger entries, and the practice still survives in the "Itemized Ledger" or "Account Book," "Customers' Ledger," etc. This form of the Ledger is quite useful in keeping single accounts and for the purposes of a small business, or where the books are kept by single entry.

Auxiliary Books.—The Day Book and Journal, or the Combined Day Book and Journal with the Ledger, constitute what are frequently termed the "principal" or "fundamental" books of record used in bookkeeping. But accountants soon found the advantage to be gained by supplementing these with various special books, known generally as "Auxiliary Books." These include the Cash Book, Bill Book, Sales Book, Invoice, or Purchase Book, Pass Book, Petty Ledger, Customers' Ledger, etc., with the use of which the student is already familiar.

CHAPTER III.—Business and Financial Statements

Thus far we have considered the methods and requirements of that division of accounting which involves the making of complete and classified records of the various transactions of a business. We are now to consider some of the various means of summarizing the results and conditions of a business, condensing them from the records that have been kept during any given business period.

Commercial enterprises, in their extent and character, take a wide range, beginning with the simple and monotonous transactions of the little retail shop, and extending to the vast and complicated affairs of a great corporation.

As there is great variation in the books of record required for different kinds and grades of business, so, also, is there great diversity in the accounting devices required for exhibiting net results and financial conditions at the close of any business period.

The terms "Statement," "Balance Sheet," "Financial Exhibit," etc., are variously employed to designate the different forms used by accountants in setting forth the conditions and results of a business.

The term "Statement" is more properly applied to any schedule of the assets and liabilities of a business, while the term "Balance Sheet" implies a more comprehensive exhibit, setting forth the face of the ledger accounts, the sources and amounts of the various losses and gains, and a comparison of the present state of the business with the condition at the outset.

With the Balance Sheet as used in ordinary mercantile business, the student has already been familiarized, but we exemplify here a number of special forms adapted to various requirements.

It should be noted by the student that the Trial Balance is really the basis of all statements, or other summaries of a business, and that the preparation of a correct trial balance is the first step to be taken in preparing any schedule of the facts and conditions of a business.

Losses	Resources	Dr.			L. F.	Cr.		Liabilities		Gains
				Proprietor's Stock	1	5000				
	3290 10	9670	50	Cash	2	6380	40			
100		100		Expense	3					
	1000	6460	40	Merchandise	4	7560	40			2100
	1150	1150		B. F. Stone	5					
		264		H. Murphy	6	945	50	681	50	
	1826 50	2062	30	B. F. Clark	7	235	80			
		1520	90	J. F. Wyman	8	2469	65	948	75	
		1379	75	D. M. Ellis	9	1749	50	369	75	
	1733 40	1966	80	F. F. Campbell	10	233	40			
100	9000 00	24574	65			24574	65	2000	00	2100

Summary

Total Resources	9000	
Total Liabilities	2000	
Proprietor's Pres. Worth	*7000*	
Total Gain	2100	
Total Loss	100	
Net Gain	2000	
Proprietor's Net Investment	5000	
Proprietor's Pres. Worth	*7000*	

Balance Sheets.—The form of balance sheet on page 216 differs from the forms already given at the beginning of the student's work in that the statement of Losses and Gains precedes instead of follows the statement of Resources and Liabilities. This form of balance sheet is used by one of the most noted eastern business colleges.

The form of Balance Sheet on page 214 has the advantage of compactness and simplicity, and is preferred by some accountants. The columns marked "Dr." and Cr." respectively show the debit and credit sides of the Trial Balance. In the summary, the proprietor's present worth is found by subtracting the total liabilities from the total resources. The total losses are then subtracted from the total gains, and the difference, or net gain, added to the original net investment also gives the proprietor's present worth.

Statement of Affairs.—This is a schedule and summary of the assets and liabilities of an insolvent debtor, arranged so as to show both actual and contingent liabilities, also, both the nominal value of the assets, and the actual value that is expected to be realized upon them. The purpose of a Statement of Affairs is to set forth the real condition of an estate, or business, with respect to realization, and the actual deficiency as to liquidation.

Deficiency Account.—This is a summary showing, in classified form, the causes so far as these may be gathered from the books, that have brought about a condition of insolvency. The Deficiency account is usually appended to the "Statement of Affairs."

Example.—Mason & Roberts being unable to meet their obligations, it is found from their books and from the testimony of the members of the firm that their condition is as indicated by the following general statement:

Cash on hand	$ 4,950
Debtors: $900 good; $540 doubtful, but estimated to produce $180; $900 bad	2,340
Property estimated to produce $8,100	12,600
Bills Receivable, good	3,825
Other securities: $2,700 pledged with partially secured creditors; remainder held by fully secured creditors	25,200
Mason, withdrawals	8,100
Roberts, withdrawals	7,560
Sundry losses	12,150
Trade expense	6,660
Creditors, unsecured	22,500
Creditors, partially secured	21,510
Creditors fully secured	15,300
Preferential claims, wages, salaries, and taxes	630
Mason, capital	9,000
Roberts, capital	14,445

From the foregoing general statement the following "Statement of Affairs" and "Deficiency Account" are prepared:

Note.—For explanation of the technical business terms used in this Statement, consult the "Vocabulary of Business Terms."

Total Liabilities	Liabilities		Expected to Rank	Nominal Assets	Assets		Estimated to Produce
$22,500 00	Creditors unsecured per schedule A		$22,500 00	$ 4,950 00	Cash on hand		$ 4,950 00
21,510 00	Creditors partly secured per schedule B	$21,510 00		12,600 00	Property, per schedule E	$12,600 00	8,100 00
	Securities at estimated value	2,700 00	18,810 00	2,340 00	Sundry Debtors, per schedule F		
15,300 00	Creditors fully secured per schedule C	15,300 00			viz., Good		900 00
	Securities at estimated value	22,500 00			Doubtful	540 00	180 00
	Surplus to contra	7,200 00			Bad	900 00	
	Preferential creditors, for wages, salaries, taxes, etc. per schedule D			3,825 00	Bills receivable, per schedule G		3,825 00
630 00	Deducted contra	630 00		25,200 00	Other securities in hands of creditors,		
					Partly secured	2,700 00	
					Fully secured	22,500 00	
					Deducted contra	25,200 00	
					Surplus from securities in the hands of creditors fully secured, per contra		7,200 00
							25,155 00
					Deduct preferential creditors for wages, salaries, taxes, etc., per contra		630 00
							24,525 00
					Deficiency as per Deficiency Acct.		16,785 00
59,940 00			41,310 00	48,915 00			41,310 00

DEFICIENCY ACCOUNT. MASON & ROBERTS

To Deficiency as shown by Statement of Affairs		$16,785 00		By Losses on Trading, viz.— Sundry Losses	$12,150 00	
To Capital brought into the business at commencement, and since, viz.—				Trade Expenses	6,660 00	18,810 00
Mason, capital	9,000 00			By Losses and Shrinkage in Values, as exhibited by Statement of Affairs, viz.—		
Roberts, capital	14,445 00	23,445 00		Property	4,500 00	
				Debtors, Doubtful	360 00	
				" Bad	900 00	5,760 00
				By Withdrawals from the business, viz.—		
				Mason	8,100 00	
				Roberts	7,560 00	15,660 00
		40,230 00				40,230 00

Balance Sheet for 19

(Student's name) Stock		6000
Cash	864586	547814
Mdse. (Invt $4,320.)	921824	614290
John Doe.	145629	159422
S. G. Newell	94664	63827
Bills Receivable	246218	114910
Bills Payable	157352	346284
Expenses	300	
Labor		135
Discount	920	1146
	2461193	2461193

Statement of Losses and Gains		Losses	Gains
Mdse	Sales 6,142.90		
	Invt 4,320.		
	Total 10,462,90		
	Cost 9.218.24		
	Gain 1244.66		124466
Expenses		300	
Labor			135
Discount			226
Net Gain (RED INK)		108192	
		138192	138192

Statement of Investment			
Stock	Net Investment		6000
	Net Gain as Above		108192
(RED INK.)	Present Worth	108192	
		108192	108192

Statement of Real Accounts	Resources	Liabilities
Cash	316772	
John Doe		13793
S. G. Newell	30837	
Bills Receivable	131308	
Bills Payable		188932
Mdse. Inventory	4320	
Stock, Present Worth		108192
	910917	910917

CHAPTER IV.—Business Papers in General

By Business Paper is meant the current obligations used in trade, as notes, drafts, acceptances, and the like.

Negotiability.—A paper is said to be negotiable when the holder has power to transfer it to others, who, if they have received it in good faith and for value, have the absolute right to enforce its collection when due.

Negotiable Words.—The quality of negotiability is given to a paper by incorporating in it what are known as negotiable words. These usually consist of the words "or order" or "or bearer" written after the name of the payee.

Or Bearer.—An instrument that is payable to "bearer" is transferable by delivery; that is, it is transferable from one person to another without indorsement, and the maker is obliged to pay it when due, to any person who presents it and demands payment, provided always such person has come into possession of it lawfully and in good faith.

Or Order.—The words "or order" imply "to any one whom the payee orders the maker to pay." A paper drawn in this form must be indorsed by the payee in order to make it collectible by the person holding it.

Original Parties.—The original parties to a business paper are those who are concerned in its issue, as the maker and the payee of a note, and the drawer and the payee of a draft.

Subsequent Parties.—The subsequent parties are those into whose hands it passes by indorsement.

Due Bills.—A Due Bill is a mere written acknowledgment of a debt. It is not negotiable, neither does it contain a specific promise to pay, and it is not usually issued for a consideration, but merely to give the creditor the advantage of the debitor's admission that the debt exists, although the acknowledgment of indebtedness may be made "to the order" of the person to whom the due bill is given, or even "to bearer."

Due bills, when used by responsible parties, often pass from hand to hand in the course of business. Unless otherwise specified, they are payable in cash and upon presentation.

They must, however, be considered as purely informal papers, and should not be accepted from strangers, as the buyer takes them entirely at his own risk.

The following examples illustrate the various ways in which due bills may be drawn:

DUE BILL—KIND OF PAYMENT NOT SPECIFIED

Streator, Ill., June 2, 19—

Due S. Walker on demand Fourteen Dollars and Fifty cents ($14.50).

T.B. HENDERSON.

DUE BILLS—KIND OF PAYMENT SPECIFIED

Hartford, Conn., May 8, 19—

Due James Bell Fifteen Dollars in Cash.

G. C. BENTON.

Fenton, Mich., Jan. 2, 19—

Due P. C. Jones Five Dollars and Seventy-five Cents ($5.75) in merchandise at our store.

COOK & WILLIAMS.

Elkhart, Ind., April 2, 19—

Due J. S. Brown Sixteen Dollars, payable in brick at our yard, at $7.50 per M.

SAWYER & CO.

DUE BILL WITH INTEREST

Canton, Ohio, Oct. 29, 19—

Due T. C. Henry Twenty-five Dollars ($25.00) with interest at 6 per cent per annum until paid.

R. W. MILLER.

TRANSFERABLE DUE BILLS

Madison, Wis., Feb. 9, 19—

Due bearer Eight Dollars, payable in cash upon presentation.

D. W. JONES.

Volney, Mich., March 6, 19—

Due C. W. Stone, or order, Twelve Dollars, payable in merchandise at our store.

LASALLE & SONS.

Promissory Notes.—The general features of promissory notes have already been discussed in Part I, of this book. There are many forms of these instruments in use, and, indeed, there is hardly any limit to their number, as a promissory note is merely a written contract, and, within certain limits prescribed by the statute laws of the different States, may contain any conditions that the payee and maker may agree to insert. For a full discussion of the legal obligations and requirements pertaining to notes, the student is referred to any good work on Commercial Law. We give herewith a number of special forms of promissory notes that are in common use.

NOTE WITHOUT INTEREST

$125.00 Lansing, Mich., Feb. 20, 19—

Three months after date, I promise to pay A. J. Wiles, or order, One Hundred Twenty-five Dollars.

M. L. OLDS.

The above is a plain promissory note, sometimes called a time note. It is given for a specified time and without interest.

INTEREST PAYABLE ANNUALLY

$2500.00 Chicago, Ill., Jan. 15, 19—

Five years after date, for value received, I promise to pay J. C. Stone, or order, Twenty-five Hundred Dollars, with interest at the rate of six per cent per annum, such interest to be due and payable annually.

JOHN A. MARTIN.

INTEREST CONDITIONAL

$1200.00 Boston, Mass., July 5, 19—

One year after date, for value received, I promise to pay R. S. Walker, or order, Twelve Hundred Dollars, with interest from date at eight per cent per annum unless the principal is paid at maturity, in which case no interest is to be paid.

HENRY M. LAWSON.

NOTE PAYABLE ON OR BEFORE MATURITY

$625.00 San Francisco, Cal., Mar. 1, 19—

On or before Jan. 1, 19—, I promise to pay C. J. Craddock, or order, Six Hundred Twenty-five Dollars, with interest at six per cent, for value received.

G. W. POPP.

A note made payable "on or before" a specified date has an advantage in favor of the maker, allowing him to pay it any time before maturity, thus saving the interest.

NOTE ON DEMAND

$450.00 St. Louis, Mo., Jan. 10, 19—

On demand, I promise to pay O. J. Willis, or order, Four Hundred Fifty Dollars, value received.

D. W. SPRINGER.

This note is due whenever the person holding it sees fit to demand payment. It may be written so as to bear interest if desired.

NON-NEGOTIABLE NOTE

$380.00 San Francisco, Cal., Feb. 4, 19—

Ninety days after date, for value received, I promise to pay W. H. Wheeler, only, Three Hundred Eighty Dollars, with interest at seven per cent per annum until paid.

M. A. MC CORMICK.

JOINT NOTE

$95.00 San Francisco, Cal., Jan. 1, 19—

One year after date, we jointly promise to pay O. L. Miller, or order, Ninety-five Dollars, for value received, with interest at two per cent per month until paid.

W. M. CLARK,
B. F. STONE.

JOINT AND SEVERAL NOTE

$180.00 San Francisco, Cal., Jan. 10, 19—

Sixty days after date, for value received, we jointly and severally promise to pay M. C. Watson, or order, One Hundred Eighty Dollars, with interest at five per cent.

D. F. PIPER,
CLARENCE DAVIS.

In a note of this character, the makers are united in the obligation in such manner that the payee may proceed against all makers together, or each one separately for the payment of the note; that is, he can collect the entire sum from any one of the makers if he is solvent.

PRINCIPAL AND SURETY NOTE

$500.00 St. Paul, Minn., Jan. 20, 19—

Ninety days after date, for value received, I promise to pay T. M. Seary, or order, Five Hundred Dollars, with interest at eight per cent per annum after maturity until paid.

C. F. WHEELER, Principal.
C. F. COLLINS, Surety.

In a note of this kind the payee is obliged to collect it of the principal if possible, and only in case of inability to do so, will he be allowed to collect of the surety.

WITH COMPOUND INTEREST

$200.00 San Francisco, Cal., Jan. 1, 19—

On Jan. 1, 19—, I promised to pay J. B. Robb, or order, Two Hundred Dollars, with interest thereon from the date thereof, till paid, at the rate of four and one-half per cent per annum, payable quarterly, and if such interest be not so paid, then to be compounded by being added to the principal and becoming a part thereof, and bearing thereafter the same rate of interest.

E. R. STACKABLE.

NOTE PAYABLE BY INSTALLMENTS

$250.00 St. Louis, Mo., April 15, 19—

For value received, I promise to pay J. G. Blast, or order, Two Hundred Fifty Dollars, with interest at six per cent in the following manner: viz., One Hundred Dollars in two months after date, and the balance in installments of Fifty Dollars each successive month until the entire amount is paid.

C. A. BENNETT.

JUDGMENT NOTE

$1200.00 San Francisco, Cal., June 2, 19—

One year after date, for value received, I promise to pay W. E. Devine, or order, Twelve Hundred Dollars, and I hereby nominate, constitute and appoint the said W. E. Devine, or any attorney at law of this State, my true and lawful attorney irrevocably, for me, and in my name, to appear in any Court of Record of this State, at any time after the above promissory note becomes due, and to waive all process and service thereof, and to confess judgment in favor of the holder thereof for the sum that may be due and owing with interest and cost, and waiving all errors, etc.

IN WITNESS WHEREOF, I have hereunto set my hand and seal in the city of San Francisco, State of California, this first day of March, one thousand nine hundred ten.

Sealed and delivered in the presence of

J. W. JOHNSON }
J. M. BUGBEE }

J. F. WYMAN.

A judgment note is a promissory note of any usual form, containing also power of attorney to appear and confess judgment for the sum therein named. In some States a note of this kind cannot be made negotiable.

COLLATERAL NOTE

$90.00 San Francisco, Cal., Jan. 10, 19—

Ninety days after date, for value received, I promise to pay the H. S. Crocker Co., Ninety Dollars with interest at six per cent. As security for the payment of the amount, I have deposited herewith a hunting case gold watch, Swiss make, No. 362,431, with authority to sell said watch at public or private sale, provided the note and interest thereon are not promptly paid at maturity.

Witness: C. P. Smith. C. W. RALSON.

A collateral note is one that is secured by personal property or right of action; such as, a bill of sale or certificate of stock. If the note is duly paid at maturity, the payee must surrender to the maker such chattels as were furnished him as security.

CHATTEL NOTE

$50.00 Sumner, Ind., July 2, 19—

Thirty days from date I promise to pay J. S. Cooper Fifty Dollars in No. 1 Red Wheat at the market price at time of delivery, the same to be delivered at his warehouse. Value received.

R. C. THOMPSON.

Orders.—An order is an informal written request for the payment of money or the delivery of merchandise or other property to the person to whom the order is given.

The nature of an order is the same as that of a check or draft, the parties and their relation to one another being the same. An order may be made non-negotiable by omitting the words "or order" or "or bearer."

Following are common forms of orders:

ORDER PAYABLE IN CASH

$36.00 Ypsilanti, Mich., April 20, 19—

Mr. W. H. Townsend, please pay I. O. Chapman, or order, Thirty-six Dollars, in cash, and charge it to my account. A. G. THURMAN.

The words "in cash" are generally not necessary; however, they should be used if the person drawn on has been accustomed to paying our order in merchandise or otherwise.

ORDER PAYABLE IN GOODS

$25.00 Valparaiso, Ind., March 15, 19—

Mr. E. K. Isaacs, please pay H. B. Brown, or order, Twenty-five Dollars in goods from your store, and charge to my account. A. A. SOUTHWORTH.

The object in stating that the goods are to be taken from his store, is that the person presenting the order will have no right to expect goods that are not already in stock.

ORDER AS RECEIPT IN FULL OF ACCOUNT

$65.00 New Orleans, May 1, 19—

M. J. Pease, please pay to Jos. Hanna, or order, Sixty-five Dollars in goods from your store, and this shall be your receipt in full of my account. JAMES GOODNO.

Orders of this character, the same as others, may be made payable in cash, merchandise, or other property.

ORDER ON PARTNER, CHARGED TO PRIVATE ACCOUNT

$10.00 Oakland, Cal., March 18, 19—

Mr. J. F. Wyman, please pay Thomas Coolidge, or order, Ten Dollars, and charge to my private account. CHAS. ADAMS.

An order of this kind indicates a private agreement between the partner issuing the order and the person receiving it.

ORDER ON PARTNER

$15.00 Woodland, Cal., April 11, 19—

Mr. J. P. Osborn, please pay C. B. Clark, or order, Fifteen Dollars, and charge to him on account. J. P. CUNNINGHAM.

An order of this character may be given when arrangements are made with one of the partners who is absent from the place of business.

ORDER WITH NO AMOUNT SPECIFIED

$100.00 Sacramento, Cal., April 12, 19—

Mr. James Arthur, please let W. S. Gannon, or order, have merchandise from your store to an amount not exceeding One Hundred Dollars, and charge the amount to my account. C. G. JEFFERSON.

ORDER FOR YOUR OWN PROPERTY

Detroit, Mich., March 20, 19—

Mr. W. S. Sampson, please let the bearer have my watch, and oblige. E. B. BARNUM.

Receipts.—It is a good business rule always to exact a receipt when you deliver to another anything of value for which you do not receive immediate payment, or some other tangible evidence of the delivery.

Receipts vary greatly in form, but they should always describe clearly the thing received and the purpose for which it is delivered by the person to whom the receipt is given.

The following will serve to illustrate some of the many forms of receipts:

RECEIPT IN FULL OF ACCOUNT

$125.00 San Francisco, Cal., March 18, 19—

Received from Pacific Press Publishing Company, One Hundred Twenty-five Dollars, in full of account to date.

H. S. CROCKER & CO.,
per W. E. Dunn.

A receipt like this acknowledges the payment of all claims up to date, except notes and other papers of a similar character.

RECEIPT IN FULL OF ALL DEMANDS

$95.00 Philadelphia, Pa., Jan. 22, 19—

Received of Frank Barker, Ninety-five Dollars, in full of all demands to date.

CLARENCE REYNOLDS.

This receipt indicates that nothing remains unpaid, either book account or commercial papers.

RECEIPT FOR MERCHANDISE ON ACCOUNT

$300.00 Helena, Mont., May 3, 19—

Received of G. E. Rogers, sixty barrels of Stockton Mills' flour, at Five Dollars per barrel, to apply on his account.

C. M. WIGGIN.

A RECEIPT BY A PERSON WHO CANNOT WRITE

$145.00 Salt Lake City, Utah, March 22, 19—

Received from W. C. Patrick, One Hundred Forty-five Dollars, in full of account to date.

J. C. Vance, Witness. JAMES His + Mark COOPER.

Not only receipts, but all other documents signed by persons who cannot write should be signed before a witness and in this manner.

RECEIPT FOR RENT OF STORE

$200.00 London, Ont., Jan. 2, 19—

Received of J. J. O'Brien, Two Hundred Dollars, for rent of store No. 1236 Market Street, for one month, ending Jan. 31, 19—.

W. C. RALSTON.

RECEIPT FOR PAYMENT OF ACCOUNT BY ONE PERSON FOR ANOTHER PERSON

$50.00 Atlanta, Ga., Jan. 25, 19—

Received of C. E. Howard, Fifty Dollars, in full of J. B. Sanford's account to date.

UNION IRON WORKS, W. A. Hill, Sec.

RECEIPT FOR PAYMENT OF ACCOUNT BY NOTE

$173.00 Denver, Colo., March 1, 19—

Received from M. J. Pease, his note No. 20, of this date, at three months, in my favor, for One Hundred Seventy-three Dollars, which, when paid, will be in full of account to date.

HENRY CLEVELAND.

RECEIPT FOR INTEREST ON BOOK ACCOUNT

$28.50 San Francisco, Cal., March 1, 19—

Received of A. G. Thurman, Twenty-eight Dollars and Fifty Cents, in full for three months' interest, due this day, on his account, bearing due date of Dec. 1, 19—.

JOHN CLEARY.

This receipt is given for interest past due on a book account. It is generally charged by merchants, after the expiration of a specified time which they usually give their customers. This time varies according to the custom of the house, but is usually thirty, sixty, or ninety days.

RECEIPT FOR INTEREST ON A NOTE

$35.00 Battle Creek, Mich., Jan. 25, 19—

Received from H. M. Sprague, Thirty-five Dollars, in full for one year's interest to Jan. 20, 19—, on his note, of five hundred dollars, given for two years, in my favor, dated Jan. 20, 19—.

G. W. HAYDEN.

RECEIPT FOR PART PAYMENT OF A NOTE

$150.00 Mansfield, Ohio, Feb. 12, 19—

Received of George W. Clinton, One Hundred Fifty Dollars as part payment on his note of four hundred dollars, given Dec. 1, 19—, for six months after date, in my favor.

G. W. ALLEN.

A payment of this kind should always be indorsed on the back of the note by the person receiving it, and at that particular time. See indorsement for part payment on note, page 51.

RECEIPT FOR MONEY ADVANCED ON CONTRACT

$80.00 Toledo, Ohio, Jan. 19, 19—

Received Eighty Dollars of M. A. Allen, as an advanced payment on a contract of Dec. 20, 19—, for furnishing 200 cords of 18-in. oak wood.

C. E. HOWARD.

RECEIPT FOR PROPERTY HELD IN TRUST

Indianapolis, Ind., Jan. 16, 19—

Received of Frank Harris the following enumerated articles to be held in trust for him, and returned on his demand: One hunting case gold watch, Swiss make, two promissory notes each dated Dec. 1, 19—, and signed by M. A. Williams—one for three hundred dollars, due six months from date, and one for five hundred dollars, due one year from date.

K. L. MILLER.

A RECEIPT FOR A LOST OR STOLEN NOTE

$400.00 Austin, Tex., Jan, 12, 19—

Received of G. P. Rogers, Four Hundred Dollars, in full payment of his note No. 10, executed in my favor on July 10, 19—, for three hundred eighty-one dollars with interest at five per cent. The above note has been lost or stolen, and I hereby pledge myself to become responsible for the payment of the said note should it become necessary for the maker to repay it.

JAMES UNDERWOOD.

A bond is usually given for the payment of a note under these circumstances.

Miscellaneous Forms.—The following forms are of a miscellaneous character, and are those most necessary for the bookkeeper to become familiar with.

Arbitration.—Arbitration is a method of adjusting financial differences without resorting to litigation.

It is a fair and simple method of arriving at a final, complete, and satisfactory result, with little expense and in a friendly manner. Parties may verbally agree to submit existing difficulties to arbitration, yet it is better in all cases to reduce the submission to writing, and to see that everything is expressed with care and clearness in the agreement. The following is a common form of an agreement to arbitrate:

KNOW ALL MEN that we, H. F. Ward, of Gold Hill, Cal., and E. M. Tanner, of Nevada City, Cal., do hereby agree, to and with each other, to submit all claims, differences, and questions between us, to the arbitration and determination of A. M. Armstrong, Henry Hall, and Matt. A. Wolfskill, arbitrators; and we hereby agree that their decision and award shall be final, and conclusive, and binding upon us.

IN WITNESS WHEREOF, we have hereunto set our hands and seals this 10th day of July, A. D. 19—

H. F. WARD. [SEAL]
E. M. TANNER. [SEAL]

Assignment.—The word "Assignment" as here used is applied to the transfer of judgments, bonds, notes, stocks, etc., by one person to another. Assignments may be made either by means of a separate instrument, or by indorsing the assignment upon the back of the instrument. The latter is the general plan followed with regard to notes, drafts, bonds, or other business papers. The person making the transfer is called the assignor; the person to whom the transfer is made is called the assignee. As a rule, a person may assign almost any legal interest that he possesses, as an insurance policy, lease, book account, etc.

The general effect of an assignment is the same as that of an indorsement.

ASSIGNMENT INDORSED ON BACK OF DRAFT

Stockton, Cal., June 20, 19—

For value received, I hereby assign the within draft to J. J. DeHaven.

C. W. BREMER.

ASSIGNMENT OF ACCOUNT TO BE ATTACHED TO BILL

In consideration of Ten Dollars, I hereby sell, assign, and transfer to A. E. Webb the within amount justly due me from the within named A. B. Brook, and I hereby authorize the said A. E. Webb to collect the amount.

C. H. NORTHROP.

Guaranty.—A guaranty is a promise by one person to see that the debt or undertaking of another is paid or performed; thus it will be seen that the guaranty is a contract or agreement of one person with another to provide for the fulfillment of an agreement of a third person.

GUARANTY INDORSED ON NOTE OR OTHER PAPER

Feb. 5, 19—

For value received, I guaranty the payment of the within note (bill, or account), if demanded when due.

C. I. MAST.

GENERAL FORM OF GUARANTY

Dec. 10, 19—

For value received, I guaranty payment, at maturity, of a certain promissory note, dated June 10, 19—, whereby D. F. Piper promises to pay Clarence Davis the sum of Three Hundred Dollars, in six months from date, with interest at the rate of two per cent per month.

J. B. SANFORD.

GENERAL GUARANTY BY LETTER

San Francisco, Cal., Nov. 5, 19—

Sir: I hereby guaranty, for value received, to pay for any and all goods that you may sell to Mr. A. E. Buck, of this place, within ninety days from date thereof, not to exceed the total amount of One Thousand Dollars.

H. N. MONTAGUE.

Note.—If letters of this character are not addressed to any particular person, it gives the person to whom it has been issued, a chance to buy where he can do the best, provided the parties are willing to accept the guaranty.

Lease.—A lease is generally a sealed agreement between two or more parties, the lessor, or landlord, and the lessee, or tenant, wherein one of the parties agrees to let or lease to the other, certain premises, for which the other party agrees to pay a rental either monthly or yearly, or for a term of years. A lease may be made with or without the privilege of renewal; when it is made subject to renewal, it will be understood to be at the same rent, if not otherwise specified.

SHORT FORM OF LEASE

This indenture, made this 25th day of May, 19—, witnesseth: That I, J. P. Harrows, of San Francisco, San Francisco County, Cal., do hereby lease, demise, and let unto Patrick Welch the following described store, situated at 1236 Market Street, San Francisco, Cal., to wit: To have and to hold, for the term of three years, from the 25th day of May, 19—, to the 25th day of May, 19—, yielding and paying therefor a rental of $5,400, payable $150 monthly in advance, upon the 25th day of each and every month during the three years, and to

deliver up the premises peaceably and quietly at the end of the term, in as good order and condition as the same is now, or may be put into, except the reasonable use and wear thereof. Also, I hereby agree not to lease or permit any other person or persons to occupy the said store, or improve the same, or make any alterations therein, and should default be made in this agreement or the payment of any portion of the rent when due, and for five days, thereafter, the said lessor may rerent it at option, and at his option terminate this lease.

Signed, sealed, and delivered in the presence of W. C. RALSTON.

J. P. HARROW. [SEAL]
PATRICK WELCH. [SEAL]

CHAPTER V.—Indorsements

An indorsement of a negotiable instrument consists in the holder's writing his name upon the back of the paper for the purpose of transferring the title or of enabling another person to collect it. Unless there is an express provision to the contrary (see "Qualified Indorsements," page 223), the effect of an indorsement is to make the indorser responsible to all subsequent holders, for the payment of the paper. There are several kinds of indorsements. The more important of these are herewith illustrated.

BLANK INDORSEMENT

C. H. HAINES

A paper thus indorsed is transferable thereafter, without further indorsement, the same as if it were payable to bearer. This is the most common form of indorsement.

FULL INDORSEMENT

Pay to J. W. Miller, or order
C. H. HAINES

This indorsement stops the transfer of the paper until the indorsee, J. W. Miller, himself indorses it. It protects the indorsee against the collection of the paper, in case of its loss, by some one who is not entitled to receive payment just as the words "or order" in the instrument itself, protects the original payee.

GENERAL INDORSEMENT

Pay to J. W. Miller.
C. H. HAINES.

Under this form of indorsement, Miller cannot transfer the paper, even by indorsement, until he adds the words "or order" after his own name, which he has the right to do.

RESTRICTIVE INDORSEMENTS

No 1.

Pay to J. W. Miller only.
C. H. HAINES.

This indorsement stops the negotiability of the paper absolutely, as Miller only can collect it. It is used when the payee, for any reason, wishes to arrange for payment to be made to a specified person, and to him only.

No. 2.—Indorsement for Deposit

For deposit J. W. Miller.

This indorsement is made when the payee sends checks to the bank for deposit, and wishes to protect himself against possible payment of checks, or any portion of them to the clerk by whom it is sent.

No. 3.—Indorsement for Collection

Pay to Merchants Bank, or order, for collection.
C. H. HAINES.

This indorsement merely gives the bank, or any one whom it may designate, the power to collect the paper.

A paper thus indorsed cannot be negotiated for consideration, except at the risk of the purchaser, as the indorsement shows that the title to the instrument has not been transferred by the payee. If it is desired to restrict the collection to the indorsee, the words "or order" are omitted.

CONDITIONAL INDORSEMENT

> Pay to J. W. Miller, or order, unless I give you notice not to pay.
> C. H. HAINES.

This gives the payee the right to revoke the indorsement at any time before maturity. Other conditions might be used as, "Pay, etc., unless I should return from Europe" or "except in the event of my death," etc.

QUALIFIED INDORSEMENT

> Pay to J. W. Miller, or order, without recourse.
> C. H. HAINES.

This indorsement releases the indorser from other responsibility for the payment of the instrument than he would incur if it were transferred without indorsement. Of course, if the indorser knew the paper to be valueless, and negotiated through fraud, he could not avoid responsibility by means of a qualified indorsement. But, if the paper were negotiated in good faith, a qualified indorsement enables the indorser to avoid responsibility in case of insolvency of the maker. The words "without recourse" are ordinarily used, but the statutes of some States require a more explicit renunciation of responsibility: as, "It is hereby agreed that I am not to be held responsible for payment," or words of similar import.

Miscellaneous Indorsements.—In a more general sense, the word "Indorsement" may imply any writing upon the back of a commercial instrument, which relates in any way to its payment, as acknowledgment of part payment, guaranty of payment, etc. It is a general rule that the holder of a paper may make any indorsement upon it that does not materially affect the obligations of previous indorsers. The following forms illustrate the more important of such indorsements:

INDORSEMENT OF PART PAYMENT

(For form of indorsement of part payment see page 51.)

GUARANTY OF PAYMENT WITH NOTICE OF MATURITY WAIVED

> For value received, I hereby guarantee the payment of the within note (or draft), and I also waive the right of notice of demand, protest, and non-payment.
> C. H. HAINES.

Ordinarily the indorser is entitled to legal notice in the event of the non-payment of the paper. But for the greater security of the indorsee, the above guaranty and waiver of notice is sometimes required.

INDORSEMENT EXTENDING TIME

> March 5, 19—
> I hereby renew the within note with accumulated interest, and agree to pay it within two years from this date.
> C. H. HAINES.

This indorsement has the same effect as if a new note with accrued interest had been made, to mature at the end of two years.

INDORSEMENT ON A NOTE GIVEN TO SECURE A DEBT

> Jan. 5, 19—
> For value received, I hereby authorize A. B. Crook, only, to collect the within note on or after maturity, and retain from the proceeds Thirty-five Dollars and cost of collection, which is to be in full of account to date. The overplus, if any, is to be paid to me within three days from date of collection.
> C. H. HAINES.

CHAPTER VI.—Various Bookkeeping Methods and Requirements

The student of bookkeeping should never lose sight of the fact that there is an almost endless diversity in the methods of bookkeeping and business. Not only are different methods required for different classes of business enterprises, but great differences as to the manner of arranging accounts and disposing of business transactions, are found among men who are engaged in the same class of business. Indeed, hardly any two offices are alike in the devices employed.

Throughout the present course, the student has been led to employ as much diversity of appliances and forms as has seemed consistent with the unity of his work, yet many other methods and business devices are in frequent use, which it has not been deemed advisable to present to the student heretofore. A general discussion and illustration of the more important of these will be introduced in this chapter, together with a variety of other business information.

Suspense Account.—This is an account used by the wholesale merchant and retailer who has an extensive retail trade by mail, as it sometimes happens that an order is received for goods, or a remittance on account is received from some one who has neglected to sign or enclose his letter. This, of course, makes it impossible for the merchant to fill the order or give the proper credit on account. Under these circumstances he is obliged to debit Cash and credit Suspense account, and wait for some one to complain about not receiving his goods, or not having a sufficient credit on account. In this account may be entered all sums received or found until their proper place on the books can be determined.

Suspended Account.—This account is used in the place of the Loss and Gain account for a certain class of personal accounts, notes, drafts, etc., which are considered a total loss to the business. There are several advantages in closing these accounts into a Suspended account; by collecting these into one account their repetition in the monthly Trial Balance is avoided; again, the collection of these amounts into a Suspended account exhibits in one sum all the losses from bad debts. If the defaulted notes and accounts are closed into the Loss and Gain account, a business which is otherwise yielding a good profit, may be made to show a small profit, or even a loss, when the cause is not in the business itself, but in the bad management that permitted the contracting of uncollectible debts.

Private Cost Mark.—The majority of business houses have a private mark for their goods, by which the salesmen can see at a glance the cost of each article. The cost mark is made by selecting some word or sentence containing the different letters, which letters, in consecutive order, represent the ten digits, as follows:

HONEST PLAY	DONT GIVE UP
1 2 3 4 5 6 7 8 9 0	1 2 3 4 5 6 7 8 9 0
MISFORTUNE	HARD TIMES X
1 2 3 4 5 6 7 8 9 0	1 2 3 4 5 6 7 8 9 0

In the latter term, "Hard Times," there are only nine letters, therefore "x" stands for "0." These characters are sometimes used for marking both the cost and the selling price; again they are used only for the cost price, while the selling price is marked in plain figures. Some merchants devise ten characters of their own, and use them in the place of letters.

The cost price marked is usually that listed upon the invoices, unless very large discounts were given from those prices, when the goods were bought. In this case the actual, or net, cost is marked. In this course unless otherwise directed, always mark your goods at the list cost, regardless of the discount.

Disposal of Discounts.—In general mercantile business there are ordinarily two classes of discounts:

1. Those discounts that are merely reductions in the price of merchandise, and which are given as a inducement to trade, or for prompt payment.
2. Those discounts that are in the nature of allowances given for the payment of accounts, or other obligations, before they are due.

The first of these two classes, or the commercial discounts, have been treated in this course as pertaining to the Merchandise account, although some accountants have classified them as true discounts and have entered them upon the regular Interest and Discount account.

But we think that a just consideration of these discounts will make it obvious that they belong with the Merchandise account.

When a merchant sells goods at varying rates of discount, he really gives his customers an option as to second prices, and, at the time the goods are sold, as he does not know which price the customer will elect to pay, he charges him the full price, and then, should the customer choose the lesser price that is given for the shorter term of credit, the merchant credits him with the full amount, and then enters the discount to the debit of Merchandise in order to adjust the account to the actual sum received. For illustration: Suppose you sell a bill of goods for $100 net at three months, and subject to discounts of 3% for 60 days, 5% for 30 days, and 6% for 10 days. Now, you really offer these goods at the conditional prices, $100, $97, $95, and $94. As you do not know which sum you are to receive, you credit Merchandise with the greatest sum, $100, and then if your customer settles at ten days, you debit your Merchandise account with the discount $6, in order to have the account properly affected by the transaction. On the other hand, if this class of discount entries were kept in the Interest and Discount account, neither this account nor the Merchandise account will give a true exhibit.

The Merchandise account would show greater gains than were actually made, while the Interest and Discount account would show a series of losses that probably do not pertain to that account.

The purpose of the Merchandise account is to show the actual profits that have been made on the merchan-

dise sold, but this purpose is defeated if the account is credited for all sales, and no allowance made for the regular discounts of the business.

In a business where there are many sales at a discount, the books of original entry (either the Journal or Cash Book) may be provided with a special column for entering such discounts, and the totals of this column may be carried to the debit of the Merchandise account, thus saving a multiplicity of entries.

Regarding purchases on which we have been allowed a discount, the principle is the same, as in the case of sales. If, when we buy a bill of merchandise, we charge the Merchandise account with the full price, we must credit that account with the discount when allowed; otherwise, the account does not show the actual cost.

The Interest and Discount is kept for the purpose of showing all losses for money paid out and gains for money received on loans, also for discounts allowed for the prepayment of accounts, notes, acceptances, etc.

To fill up this account with the regular discounts allowed in the course of trade, for wholesale purchases, short credits, or for variation in the market price of goods, would obviously defeat its purpose.

Copying Letters.—It is customary in most business houses to keep a copy of each letter sent out by the house. This may be done in any of three ways:

1. A carbon copy may be made by inserting carbon paper and a lettersheet under the lettersheet to be written on. But the most common way is to insert carbonsheet and lettersheet back of the letterhead and take a copy on the typemachine. The carbon copy is then fastened to the customer's letter, and the two are filed, alphabetically, in the ordinary flat letterfile or in the vertical file. This method does not require copying ribbon on the machine.

2. A copying ribbon is put on the typemachine, and an impression or copy is taken of the letter by means of the letterpress. This is done as follows:

Open the copying book at the desired place for making the copy; place an oilboard on the left-hand side of the book; then lay a damp cloth on the oilboard; turn leaf of the book on dampened cloth, being careful to have the page of the copying book smooth; then lay the letter to be copied on the page, face down; then lay on another oilboard, carefully close the book, and put in the copying press under a heavy pressure for about five minutes. When copying more than one letter the oilboards need be used only at the beginning and the end. When removing the copied work, it is a good plan to place a large blotter between the dampened leaves, and also to place the copied letters between blotters, and put under pressure. A dozen or more letters may be copied at one time.

Great care should be taken in using a copying press, in order that a clear and unblurred copy may be secured. To obtain a good copy, much depends on the proper dampening of the cloths; after wetting them they should be well wrung out, as too much water will result in producing a blurred and unreadable copy.

Copies, by whatever method, have to be proved, in courts of law. The copy by the letterpress and in the letterpress book, whose pages are numbered consecutively and the dates of the letters run chronologically, some falling before and some after, the copy in question, would be most difficult to falsify; and therefore, such copy would carry more weight with court and jury.

3. Copying ribbon is used as in No. 2 and then the letter is placed in a copying machine, the letter is copied on a ribbon of paper wide enough to take full impression of the letter. The copy of the letter is then torn from the ribbon of copying paper and fastened to the customer's letter, and the two are filed together.

Business Ciphers and Codes.—Many wholesale houses and manufacturing firms have adopted cipher codes, by means of which the expense of telegraphing may be greatly reduced. The method consists in representing a whole clause or a sentence by means of a single word.

The following is taken from one of these codes that is in actual use by a large manufacturing establishment:

Message	Code Word
Can you furnish immediately? Answer by telegram	Aback.
Ship as soon as possible	Abate.
Ship at once the machine ordered for	Abating.
When can you ship?	Abess.
How soon can you furnish?	Ablude.
Will ship —— to —— immediately	Abhor.

From the above it will be readily seen how both time and money may be saved by those who transact much business by telegraph.

Insurance.—Most business men protect themselves against severe loss from fire by insuring their stock of merchandise or other property, which may be subject to such loss. The rates charged by the insurance company usually depend upon the location of the business, the amount of firerisk, the nature of the business, and other conditions. As a rule, insurance companies will not insure property for its full value, for the reason that, in this case, the owners might be tempted to destroy it by fire for the purpose of collecting the insurance. If property is insured in several companies, the loss in case of fire is apportioned among them in accordance with the amounts of the several policies. Insurance policies are usually taken out a certain rate per year of the amount insured, but it is often desirable to insure quantities of merchandise at a certain rate per day, as where the merchandise is in transit or stored in warehouse. Warehouse charges sometimes include insurance. As a rule, insurance charges are treated as a part of the Expense account, but if special insurance has been effected on merchandise, the charge is usually made against the Merchandise account.

An insurance policy is a contract, and it is important that the person insured should observe all the conditions of the contract; otherwise, in case of fire, he may lose the entire amount of his policy.

Assignment of Bill of Lading.—In the case of goods bought for shipment, the shipper often assigns the shipping receipt, or bill of lading, to a bank as security for a loan of money with which he makes necessary pay-

ments on the shipments, advance freight charges, etc. In this case, the bank really holds possession of the goods as security for the payment of the loan when the goods are sold. The bill of lading is then forwarded by the bank to the commission merchant who receives the goods, the proceeds being remitted to the bank, and the balance due the shipper being placed to his credit. Jobbers or commission dealers, with a limited amount of capital, are enabled, by the assignment of bills of lading in this manner, to do a larger volume of business than they could do otherwise. There is no material difference between a bill of lading and an ordinary shipping receipt.

Use of the Deposit Slip.—Banks differ as to the manner in which they have their depositors make out deposit slips. Sometimes special instructions are given in the Pass Book or on the deposit slips. If different kinds of deposits are made, these should be itemized on the deposit slip, as gold, silver, currency, etc. If checks are deposited, the bank upon which they are drawn should be specified either by name or Clearing House number, according to the usage of the bank in which the deposit is made.

Drafts Including Exchange.—Drafts are sometimes drawn so that the drawee besides paying the amount of the draft pays the exchange, or charge of the bank for cashing or collecting the draft.

To draw a draft in this way, add the words "with exchange" after the name of the drawee; thus, "Pay to R. Jones with exchange Fifty Dollars." Sometimes the words "With Exchange" are written in a bold hand or stamped at the top of the draft.

Money—As stated in Chapter I, all amounts in bookkeeping are expressed in the current money of the country in which the accounts are kept. In the United States and Canada, this money consists of dollars and cents, and is known as money of account. By "legal tender money" is meant any money that the law declares may be legally offered or tendered for the discharge of a debt.

Bank Note.—Everything that is a legal tender, is money, but some money is not a legal tender. Thus, bank notes are money, but not a legal tender. Checks, drafts, etc., are often used for the payment of debts or the purchase of property, but, being unregulated by law, are not money.

Paper-Money.—Government notes, Gold and Silver Certificates, and other forms of public indebtedness commonly circulate as legal tender money.

The Paper Money of the United States consists of Treasury Notes, or "Greenbacks" (legal tender), also Gold and Silver Certificates and National Bank Notes (payment secured by the government).

Bills in this money are issued for various amounts, but never for a smaller sum than $1.

Coin.—The Standard Coin of the United States is at present the Gold Dollar, weighing 25.8 grains. The Silver Dollar weighs 412½ grains.

The weight, material, and denominations of United States coins are regulated by Congress.

Gold Coins are composed of Standard Gold, which consists of nine parts pure gold and one part alloy; the latter is composed of copper and silver, the silver not to exceed 1/10 of the alloy.

Silver Coins are composed of Standard Silver, which consists of nine parts pure silver and one part pure copper.

The weight of the pure silver in a silver dollar is at present about sixteen times the weight of the pure gold in a gold dollar. Hence the expression "16 to 1," so much used in current coinage discussion. The fractional silver coins, that is, the silver coins of a denomination less than $1, are not a legal tender for sums greater than $5. The government replaces all torn, worn, or mutilated bills with new bills upon application. This is usually attended to by the banks, which put aside such bills until a considerable quantity is on hand, when they are forwarded to the Sub-Treasury to be replaced with new bills.

Transmission of Money.—It has been estimated that more than ninety-five per cent of our foreign and domestic commerce is carried on without the direct payment of money by the buyer to the seller. The most of this business is transacted by means of checks, drafts, bills of exchange, certified checks, etc., with the use of which the student is already familiar. There are, however, a number of other means of transmitting money. Among these are Postoffice Money Orders, Express Orders, Telegraph Orders, and Letters of Credit.

Postoffice Money Orders.—At certain specified postoffices throughout the country, persons may buy "Postoffice Money Orders," these orders to be remitted to some other office for collection.

The postoffices that are allowed to issue and pay such orders, are classified into "Money Order Offices" and "Limited Money Order Offices." The maximum amount for which a single money order may be issued at an office designated as a "Money- Order office," is $100, and at an office designated as a "Limited Money Order Office," $5. When a larger sum is to be sent, additional orders must be obtained. But postmasters are instructed to refuse to issue in one day to the same remitter, and in favor of the same payee, on any one postoffice of the fourth class, money orders amounting in the aggregate to more than $300, as such office might not have funds sufficient for immediate payment of any large amount. Fractions of a cent are not to be introduced.

If the payee of a money order is unknown personally to the postmaster, he must be identified before the amount will be paid; but at his own risk, the sender of the money may waive this identification if he thinks it will cause inconvenience to the payee.

Money orders are payable only to the person designated in the application, unless the order has been formally transferred. A blank for this purpose is printed on the back of the order.

Registered Letter.—This is a means provided by the government for securing the delivery to the right person, of money or other valuable packages through the mails.

The person sending the package or letter receives from the postmaster a receipt for the package. Each postmaster or other postal official through whose hands the package passes, is required to receipt for it to the official from whom he received it. This greatly decreases the chances of its being lost in transit. A registered package requires eight cents additional postage; which is the only charge for registering.

Express and Telegraph Orders.—Money may be transmitted through the leading express and telegraph companies in the same general manner, as through the postoffice. A higher rate is charged for these orders, but they may be secured for larger amounts.

The W. U. Telegraph Company charges one per cent on all orders over $25 and twenty-five cents for smaller sums. In addition to this charge the person buying the telegraph order must pay for two full-rate messages of fifteen words each.

Letters of Credit.—When first introduced, these were merely letters of introduction, given by banks or leading business houses to their customers or friends who contemplated going to foreign countries. The letter included an order for funds to be paid to the bearer by the bank or firm to whom the letter was addressed.

Now "Circular Letters of Credit" are regularly issued by banks to any one who will pay for them. They enable a traveler to obtain funds from any leading bank in any part of the world, in the most convenient and safest way, putting him in the possession of the money of whatever country he visits, without the necessity of carrying large amounts of the currency of different countries on his person.

For purposes of identification, the person receiving the letter of credit is required to place his signature upon it when issued.

Borrowing Money.—When it is desirable for a business firm to increase its capital by borrowing money, a number of methods may be employed. The common one of discounting the firm's paper at the bank has already been exemplified in the student's previous work. This method is commonly employed for short term loans, but these are often secured, especially in the case of well-known and reliable firms, by an arrangement through which the firm is permitted temporarily to overdraw its bank account.

When it is desired to obtain a loan for a longer period, as for several years, the firm usually applies to a loan agency, or trust company, for a permanent loan of a given sum, issuing its note for the same, payable at whatever time may be mutually agreed upon. Such loan agencies invariably exact ample security, consisting either of a mortgage on real estate or of a deposit of "collateral," as bonds, mortgages, or the like, which are kept in the possession of the lender, and which may be sold in satisfaction of the debt, should the borrower fail to pay his note according to agreement. In negotiating loans of this character, it is customary to require the interest to be payable periodically.

When a loan is secured by a mortgage, it is usually required that the value of the property mortgaged be much greater than the face of the mortgage.

Corporations usually borrow money by issuing and selling bonds. These are placed on the market and sold, through brokers, at the financial money centers of the country. These bonds may or may not be secured by mortgages of the company.

Classification of Ledgers.—For the purpose of classifying the accounts and the business and giving additional information and keeping private certain information and localizing mistakes, many business houses use a Purchase Book and a Purchase Ledger, and a Sales Book and a Sales Ledger, a General Ledger and a Private Ledger.

The Sales Ledger contains a record of all their sales whether on account or otherwise. The Purchase Ledger contains a record of all their purchases whether on account or otherwise.

The General Ledger contains a record of accounts not in the Sales or Purchase or Private Ledgers. The Private Ledger contains such accounts as the proprietor does not want the bookkeeper to know.

The bookkeeper then opens an Accounts Payable account and an Accounts Receivable account in the General Ledger. (These accounts are sometimes opened in the Purchase and the Sales Ledgers respectively, thus making each ledger self-balancing.) He then posts the sales to customers from the Sales Book to the Debit of each customer's account in the Sales Ledger, and the payments of customers from the Cash Book (or other medium) to the Credit of the respective customers' accounts in the Sales Ledger. He posts the total sales from the Sales Book to the debit of Accounts Receivable account and to the credit of the Mdse account in the General Ledger.

Then the difference between the debit side of the Accounts Receivable account, as made up of the postings of the total sales from the Sales Book, and the credit side of the Accounts Receivable account as made up of the postings from the Cash Book (or other medium), will have to equal the amount yet due from the customers. This test enables the bookkeeper to determine, in case of a mistake, whether the mistake is in Accounts Receivable.

In like manner, the bookkeeper opens an account in the General Ledger with Accounts Payable. He then posts the several purchases from the Purchase Book to the credit of the respective creditors' accounts in the Purchase Ledger, and the payments to the creditors from the Cash Book (or other medium) to the debit of the respective creditors' accounts in the Purchase Ledger. He posts the total purchases from the Purchase Book to the debit of the Mdse account in the General Ledger, and to the credit of Accounts Payable in the General Ledger.

Then the difference between the debit side of Accounts Payable account, as made up of the several payments to creditors, which payments are posted from the Cash Book (or other medium) to the debit of that account, and the credit side of Accounts Payable, as made up of the several postings of totals from the Purchase Book, will equal the balance due creditors as shown by the balances in the Purchase Ledger. If these balances equal, the mistake is not in Accounts Payable.

Instead of Accounts Receivable, some bookkeepers open an account in the General Ledger with Accounts Receivable Controlling Account, or Sales Ledger Controlling Account, or Customers' Ledger Controlling Account, or Debit Ledger Controlling Account, or Sold Ledger Controlling Account; and instead of Accounts Payable, they open an account in the General Ledger with Accounts Payable Controlling Account, or Purchase Ledger Control-

ling Account, or Creditors' Ledger Controlling Account, or Credit Ledger Controlling Account, or Bought Ledger Controlling Account.

The advantages of classifying the Ledgers in this way will be readily apparent.

By looking at the Sales Ledger Controlling Account (or whatever other name it may be called) the manager can see not only the total sales of the business, but the balance of the account shows him the amount yet due from customers, what per cent of his sales are paid for, etc. By looking at the Purchase Ledger Account, he can see not only his total purchases, but the balance of the account gives the amount yet due creditors. And besides giving valuable detailed information as to the condition of the business, such classification enables the bookkeeper to locate a mistake more readily. It also enables the bookkeeper to determine whether his Ledger is in balance without writing off the Ledger accounts.

To facilitate the carrying out of such classification, the Cash Book should be specially ruled with a Customers' or Sales Ledger and a General Ledger column on the debit side, and a Creditors' or Purchase Ledger and a General Ledger column on the credit side. Such other columns should be ruled as will facilitate the classification of accounts and reduce the postings. The Journal should also be provided with special columns.

Cash Purchases or Cash Sales should be carried to the Purchase or Sales Ledger, otherwise the record would not be complete, and also because the aggregate purchases determine in a large measure what terms shall be extended to creditors. Creditors are often given a special agreement of an allowance of different rates of discount based on the total purchases for the year, varying with different houses and under different conditions about as follows: 1% on a total yearly purchase of $2,000 to $4,000; 2% if from $4,000 to $5,000; 3% from $5,000 to $10,000; 4% on $10,000 to $15,000, etc.

The Student's Ledger may be sectioned and part used for Purchase Ledger, part for Sales Ledger, and the rest for General Ledger.

Ledgers are often further classified into City Ledgers, Country Ledgers, etc., and the sectionalization of the Ledger, and the raising of controlling accounts, and the summation of accounts, are often carried much further than here suggested. When several bookkeepers are employed, the sectionalization of the Ledgers and the raising of controlling accounts (or making the Ledgers self-balancing) is indispensible.

SALES LEDGER

T. B. LARKINS, 12-14 E. Washington Street, INDIANAPOLIS, IND.

Date			Folio						Date			Folio					
19									19								
Jan.	6	S	6			1	7	95	Jan.	10	C	5			1	7	95
	8	S	9			2	2	50		12	C	7			2	2	50
	10	S	15			4	0										

C. W. DICKEY, 120 Wabash Avenue, CHICAGO, ILL.

Date			Folio						Date			Folio					
19									19								
Jan.	7	S	6		2	0	0	80	Jan.	10	C	5		2	0	0	80
	10	S	9		3	2	5										

PURCHASE LEDGER

SAMUEL WALLACE, 79 Dexter Street, PHILADELPHIA, PA.

Date			Folio						Date			Folio					
19									19								
Jan.	2	J	3		4	0	0		Jan.	1	Balance			6	0	0	
	18	C	9		2	0	0			12	P	12		2	0	0	

Credit.—The "Credit System" so-called, enters very largely into mercantile transactions of the present day. In retail business, it is a purely personal matter between buyer and seller, and few general requirements are observed. In wholesaling, however, there are some usages and requirements that are quite general.

Most large concerns employ a specialist who is known as a "credit man." It is this person's duty to exercise careful supervision over all credits allowed by the firm.

The amount of credit that may be allowed to a buyer, depends, as a rule, upon his "credit rating" as published through the books of the standard mercantile agencies. See "Mercantile or Commercial Agencies."

Quite often, however, a larger credit is given, the amount depending upon circumstances. Many firms before allowing credit, especially in the case of a customer without a "rating" require the buyer to fill out a "Property Sheet." This is a detailed statement, setting forth the amount and character of the buyer's assets. Should the buyer make out a false statement, he would be liable to prosecution for "obtaining goods under false pretenses."

CHAPTER VII.—Mercantile or Commercial Agencies

These are institutions established for the promotion and protection of trade. They employ travelers who aim to cover the country twice a year and procure of individuals, firms, and corporations, information as to their assets and liabilities, and from other persons as to the correctness of these statements, and the character, habits, and ability of the persons or concerns reported. They have attorneys in almost every county and important town, and correspondents at almost every postoffice, who answer inquiries personally to the traveling agent and by mail or telegraph to the district offices.

The travelers do not consult individuals, alone; but the tax lists, deed, mortgage, and judgment records, etc. On each concern engaged in business the travelers write up as concise and as full a history of the means, character, habits, ability, etc., as possible.

Suppose a merchant in Morristown, Tenn., desires to buy goods that can be purchased to the best advantage of a firm in Cincinnati, Ohio. He forwards his order to the house dealing in the desired goods; the credit man of the house, finding that he had an order from a new customer of whom he knows nothing, applies at the Mercantile or Commercial Agency in Cincinnati for information regarding the man at Morristown, and if the information is satisfactory, he fills the order promptly; but if it is not satisfactory, the goods are not shipped until payment is received or at least a sufficient amount to justify the risk. Thus it is seen how the Commercial or Mercantile Agency promotes as well as protects trade.

The agencies have the entire country divided into districts. R. G. Dun & Co., the Mercantile Agency, has about one hundred and forty districts, Bradstreet's has about ninety districts, and the John W. Ealy Company has about twelve districts. Each district has an office at the most important commercial center in it, and each agency has its general office in New York City, where the various districts send duplicates of all their information. The district offices also send duplicates of their information to the officers of the surrounding districts.

The agencies publish Reference Books quarterly, that is to say, in January, March, July, and September of each year. These reference books are published in several editions. The General Reference Book contains the names of all persons engaged in business in the United States, Canada, Alaska, and important coast islands. The Western Reference Book, as its name implies, contains the Western States; and the Southern Reference Book, the Southern States. State editions are published, but are rented only to concerns subscribing to regular editions named. Houses concerned in Southern trade only, subscribe for the Southern edition; those in the West, only to the Western edition; and the large concerns taking the General Edition are interested all over the country. A Reference Book is better understood by glancing at the page from a pocket or State edition given in connection with the chapter.

A Notification Sheet is published daily by the New York offices and also by some of the district offices; but the district manager publishes the sheet less frequently, some of them three times a week, others twice a week, and some not more than once a week. This sheet records the names of new firms, changes in old ones, failures, judgments, fires, etc. Usually two Reference Books annually, the notification sheet, and the privilege of making inquiry for a hundred detailed reports, go with a subscription.

The Mercantile Agency of R. G. Dun & Co., and the John W. Ealy Company, each conduct collection departments. Dun & Co. have most of their attorneys under bond. Bradstreet's does not conduct special collection departments, but either forwards a client's claim to an attorney living near the debtor, or gives the client the attorney's name and lets him forward it himself.

Dun and Bradstreet's do a general reporting business; the former carries a million or more firms and corporations, and their ratings on the Reference Book, the latter about three quarters of a million; and the Ealy Company which reports for the Iron and Hardware Trade, carries about four hundred thousand names and ratings. Bradstreet's is a corporation, Dun is not incorporated. There are a dozen smaller agencies, such as the Furniture and Lumber Agency, but those named are the principal ones.

In addition to the above described service Mercantile Agencies generally do collecting of accounts for their subscribers, besides attending to other special matters relating to credits, some of which are as follows:

Special Reports, indicating the time in business, capital invested, estimated worth, character, prospects of success, etc.

A Letter of Introduction for the use of subscribers or persons employed solely by them, when traveling, to enable them to make inquiries at any of the Offices located in the States represented in the volumes loaned These letters will not be recognized, however, in cities where the agency has a branch.

Issue Pocket Editions of any of the States for the use of subscribers or their employees, when traveling.

The correctness of the information contained in the reports furnished by these agencies is not guaranteed, but is submitted, without prejudice, to its subscribers.

The Mercantile Agency of R. G. Dun & Co., and the John W. Ealy Company, each conduct collection departments. Dun & Co. have most of their attorneys under bond. Bradstreet's does not conduct special collection departments, but either forwards a client's claim to an attorney living near the debtor, or gives the client the attorney's name and lets him forward it himself.

Dun and Bradstreet's do a general reporting business; the former carries a million or more firms and corporations, and their ratings on the Reference Book, the latter about three quarters of a million; and the Ealy Company, which reports for the Iron and Hardware Trade, carries about four hundred thousand names and ratings. Bradstreet's is a corporation, Dun is not incorporated. There are a dozen smaller agencies, such as the Furniture and Lumber Agency, but those named are the principal ones.

INSIDE COVER OF STATE REFERENCE BOOK

This book is the sole property of THE COMMERCIAL AGENCY; it is LOANED, and not sold, to

.....

Its contents are STRICTLY CONFIDENTIAL and for the exclusive use and benefit of the person or firm above mentioned, as per agreement existing between us. Any violation of this agreement entitles the proprietors of the said agency at any time to reclaim the book, which, otherwise, is to be returned upon the termination of the subscription.

NOT TRANSFERABLE.

KEY

The omission of a rating is not in any case an implication upon the party's credit. It simply implies that we have not the information upon which to base a rating.

☆ Indicates Bank or Express Company.
△ Indicates Nearest Banking Town or Express Company.
• Indicates Dealers in Stoves.

A	$1,000,000	or over.
B	500,000 to	$1,000,000
C	250,000 to	500,000
D	100,000 to	250,000
E	75,000 to	100,000
F	50,000 to	75,000
G	35,000 to	50,000
H	25,000 to	35,000
K	15,000 to	25,000
L	10,000 to	15,000
M	5,000 to	10,000
N	3,000 to	5,000
O	2,000 to	3,000
P	1,000 to	2,000
Q	500 to	1,000
R	300 to	500
S	No financial basis for credit.	
T	Capital unknown, but supposed to be quite light.	
U	$150 to	300
V	100 or less.	

1. Usually discounts bills.
2. Prompt pay.
3. Medium pay.
4. Pays notes, but slow on accounts
5. Slow pay.
6. Very slow pay.
7. Credit not recommended — sell only for cash.
8. Bad reputation.
10. Complains of goods without cause and claims deductions.
11. Enquire at office.
12. Cannot ascertain accurately at present writing.
13. Buys only in a small way from local dealers—generally pays cash.
36. Worthy of confidence — capital not considered.
74. Pays when compelled by law.
75. Borrowed capital.
76. Chattel mortgage.
77. No property within reach of the law
90. Recently begun business.
95. Deceased.
96. Out of business.

PART OF PAGE OF STATE REFERENCE BOOK

TENNESSEE. 139

• Felsenthal & Schafer.....d.g.gro. hdw. sto. & agr'l impls 2
Hall Thomas.....gen. store
Middlebrook J S.....wagonmkr
Ragland, Collins & Co.....gen. store L 2

ANDERSON, Franklin Co.
Pop. 300—☆—Southern Ex.

McNichols Daniel.....gro. hdw. & tin R 3
Thomas & Bros.....gen. store P 3

BAKERVILLE, Humphreys Co.
Pop. 200—△—Waverly.

Coffan H. C.....flour & saw mills P 3
Smith H W.....blacksmith V
Williams L A.....d.g.gro. & hdw. N 2

CHILHOWEE, Blount Co.
Pop. 40—△—Maryville.

Stone & Patterson.....gen. store Q 3

DEER LODGE, Morgan Co.
Pop. 100—△—Sunbright.

Cardwell & Scraggs.....hardware M 2
• Smith J. H. & J. W..hdw. sto. & tin P 2

EAGLE CREEK, Overton Co.
Pop. 30—△—Livingston.

Fulton John.....hardware 3
Lawrence J S.....gen. store O 2
Sensbaugh J H.....miller O 5
Trent G L & Son.....g.s.& hdw. N 3
Willis D H.....g.s.& hdw. Q 3

FAXON, Benton Co.
Pop. 45—△—Ducktown.

Southern Iron Co.....
(See Nashville.)
Wright T.....gen. store P 3

GRASSY COVE, Cumberland Co.
Pop. 300—△—Spring City.

TICKET OF INQUIRY

The Commercial Agency

JOHN A. McALLEN

Give us in confidence, and *for our exclusive use and benefit in our business; viz.*, that of aiding us to determine the propriety of giving credit, whatever information you have respecting the standing, responsibility, etc., of

Name, _____

Business, _____

Town, _____

County, _____

State, _____

_____ *Subscriber.*

☞ *Subscribers to sign the above themselves.*

Knoxville, _____ *19__ No.__*

CHAPTER VIII.—Check Figure Proofs

Addition.—Give special attention to addition, as it is a very important part of your work and will require a great amount of careful, conscientious practise. Always add each column twice, first up and then down. You must learn to add rapidly and accurately.

Proofs of Addition.—It is a good plan to prove your addition by some of the well-known mathematical tests, such as the unitate, the 9, the 11, or the 13 method.

The unitate of any number is the number reduced to stand in one place or unit's place. The mathematical principle employed is that the unitate of the several amounts must equal the unitate of their sum. Thus:

The Unitate Method.—

$718.33=22=4.4	is the unitate or check figure of	71833
42.19=16=7.7	" " " " "	4219
634.18=22=4.4	" " " " "	63418
39.27=21=3.3	" " " " "	3927
511.11= 9=9.9	" " " " "	51111
$1945.08=27= 9		

The digits in the number 71833, adding horizontally, left to right, or right to left, add to 22, but as one figure stands in ten's place, we add again, 2 plus 2 equals 4, that is, 4 is the unitate of 71833.

Adding each number in the same way, we get for the unitates of the respective numbers 4, 7, 4, 3, and 9. Adding the unitates together we get 27, but again the 2 stands in ten's place, so we add 2 and 7 and we get 9 for the unitate of the unitates. The sum of these numbers is 194508. These digits added laterally add to 27, and 2 added to 7 equals 9, which is the unitate of the sum of the numbers. If we had made an error in our addition and had obtained for the sum of all the numbers 184508, the unitate of this number is 8, which we see is wrong as it does not answer our mathematical principle.

It will be found a great convenience, in case of interruption, to add by what is known as the bookkeeper's method; that is, set out the full amount of each column, on a piece of paper. Thus:

$ 9874.19	29
328.85	26
67.98	22
4371.67	24
	16
$14642.69	14

The Nine Method.—The 9 method is known as "Casting out the 9's." The resulting check figure will be the same as by the unitate method except, when the check figure is 9 by the unitate method it is 0 by the 9 method.

$ 718.33	casting out the 9's check figure is 4
42.19	" " " " " " " 7
634.18	" " " " " " " 4
39.27	" " " " " " " 3
511.11	" " " " " " " 0
$1945.08	

Adding the digits of the first number laterally, we say 7+1 is 8; 8+8 is 16; but 16 is 7 more than 9, so we drop the 9 and carry the 7 to the next figure 3; 7+3 is 10, but 10 is 1 more than 9, so we drop the 9 and carry the 1 to the next figure 3, and we have 4 for the check figure of 71833. Casting the 9's out of the other numbers we have the check figures 4, 7, 3, 0. Beginning at the top of the column of check figures and casting out the 9's we say, 4+7 is 11, but 11 is 2 more than 9, so we drop the 9 and carry the 2 to the next figure 4, and we have 6, carry the 6 to the next figure 3, and we have 9. Dropping the 9, we have for the check figure of the check figures 0.

Adding the digits in the sum, 194508 in the same way, and dropping the 9's, we have 0 for the check figure of the sum; that is, 0 the check figure of the check figures of the several numbers equals 0 the check figure of the sum. The mathematical principle is that casting out the 9's of the several numbers must leave us the same check figure as casting the 9's out of the answer would give. The mathematical process is entirely different from the process used in the unitate method. In the 9 method we strike out the 9's, while in the unitate method we do not strike out any number at all, but reduce the whole number to a unitate.

The 11 Method.—The 11 method is a short way of dividing numbers by 11, and the mathematical principle is that the remainders by dividing the respective numbers by 11 must be the same as the remainders by dividing their sum by 11. Any number may be divided by 11, and the remainder obtained by subtracting the sum of the number in the ten's place and every alternate number from the sum of the number in the unit's place and every alternate number, adding 11, or some multiple of 11, when necessary to make the subtraction.

$ 718.33	check figure 3
49.95	" " 1
59.94	" " 10
511.11	" " 5
$1339.33	

In this proof we say, 3+1 is 4, which is the sum of the number in the ten's place and every alternate num-

ber. Then we say, 3+8 is 11+7 is 18, which is the sum of the number in unit's place, and every alternate number. Then subtracting 4 from 18, we get 14, which is larger than our unit, 11, so we again take 1, the number in ten's place from 4, the number in unit's place, and we have the remainder or check figure 3.

In the next number, 4995, we say 9+4 is 13, which is the sum of 9, the number in ten's place, and every alternate number. Next, we say 5+9 is 14, which is the sum of the number in unit's place and every alternate number. Next, we say 5+9 is 14, which is the sum of the number in unit's place and every alternate number. Subtracting 13 from 14, we get 1, remainder or check figure.

In the next number, 5994, we say, 9+5 is 14, which is the sum of the number in ten's place and every alternate number. Next, we say 4+9 is 13, which is the sum of the number in unit's place and every alternate number. Now, as 14 is greater than 13, we cannot subtract, so we add our unit, 11, to 13, and get 24, and then 14 from 24 leaves a remainder or check figure 10.

In the next number, 51111, we say, 1+1 is 2, which is the sum of the number in ten's place and every alternate number. Next, we say, 1+1+5 is 7, which is the sum of the number in unit's place and every alternate number. Then subtracting 2 from 7, we have 5, remainder or check figure.

Then adding the check figures 3, 1, 10, and 5, we get 19, which is greater than our unit, 11, so we again take the number in ten's place, 1, from the number in unit's place, 9, and we get 8 for remainder or check figure of the check figures.

In the sum of these numbers, 133933, we say 3+3+1 is 7, which is the sum of the number in ten's place and every alternate number. Next, we say 3+9+3 is 15. Subtracting 7 from 15 we get 8, remainder or check figure, which is the same as the remainder we get by taking the check figure of the check figures of the different numbers, which proves our work to be correct.

The 13 Method.—The 13 method is a short way of dividing a number by 13. This is easily accomplished by making a table of all the multiples of 13 in numbers of three places.

The 13 Table

0	1	2	3	4	5	6	7	8	9
013	104	208	312	403	507	611	702	806	910
026	117	221	325	416	520	624	715	819	923
039	130	234	338	429	533	637	728	832	936
052	143	247	351	442	546	650	741	845	949
065	156	260	364	455	559	663	754	858	962
078	169	273	377	468	572	676	767	871	975
091	182	286	390	481	585	689	780	884	988
	195	299		494	598		793	897	

Explanation of the Table.—The top row of figures running from 0 to 9 inclusive, is the guide row. Notice that 1 in the guide row stands over all the multiples in 100, 2 over all the multiples in 200, and so on to 9, which stands over all the multiples in 900. If we wish to find the remainder after dividing 847 by 13, we look at the guide row for 8, then follow that row down until we come to 845, which is the next multiple below 847. Taking the multiple, 845, out of our number 847, we have 2 left, that is, 2 is the remainder or check figure by dividing 847 by 13.

The table is made out by starting with 13, as the unit, and adding 13 consecutively until we come to 988, which is the last multiple in three places. Adding 13 to 13 gives us 26, adding 13 to 26 we get 39, and so on down to 91. If we add 13 to 91 we get 104, and for facility in referring to the table we set all multiples that fall in 100 in the same row under the guide figure 1; all numbers in 200 under the guide figure 2, and so on to 9, the last row.

How to prove our additions by this method will be made plain by the following illustration:

Illustration No. 1

$237389.40	check	figure	4
489.74	"	"	3
753.25	"	"	3
100.35	"	"	12
$238732.74			22

Taking 13 out of 22, we have left 9, which is the check figure of the check figures. 9 is also the check figure of the sum which proves the correctness of the addition.

Now, as our table was made out for all the multiples in three places, we separate the numbers into periods of three figures each, counting from the left. Counting from left to right, the first period of three figures is 237

Now, starting on the left, to divide or strike out the 13's, we take the next multiple under 237, which is 234, from 237. This leaves 3. Taking this 3 and the next two figures 38 to make our period of three figures, and taking the multiple 338 from 338, we have nothing left. Taking the next three figures, 940, and taking the next lower multiple, 936 from 940, we have 4 remainder or check figure for the first number.

Separating the next number into periods of three figures each, we have for the first period on the left, 489. Now, subtracting the next lower multiple 481, from 489, we have left 8. Bringing down the next two figures, 74, to the right of the 8 we have 874; and taking the next lower multiple 871 from 874 we have 3 remainder or check figure for the second number.

Taking the next number 75325, we take 741 out of 753 as we are dividing by 13, and have left 12 remainder from the first period on the left. Bringing down the next 2 to give us three figures, we next take 117 from 122, and we have left 5. Bringing down the next figure 5, we have 55, and taking the next lower multiple 52 from 55 we have left 3 remainder, or check figure for the third number.

Taking the last number 10035 and counting three figures from the left, we have for the first period 100. Taking the next lower multiple 91 from 100 we have 9 left. Bringing down the next two figures 35, to the right of 9, we have 935, taking the next lower multiple, 923 from 935, we have left 12 remainder or check figure for the fourth number.

Now, as we are testing our addition we add together the check figures of the numbers to be added. The sum of the check figures is 22. Taking 13 out of 22 we have 9 left; that is, 9 is the check figure of the check figures.

Now, separating the sum of the four numbers into periods of three figures each, we have for the first period on the left, 238. Taking 234, the next multiple below 238, from 238, we have left 4. Bringing down the next two figures to the left of 4, we have 473. Taking the next lower multiple, 468, from 473, we have 5 left. Bringing down the next two figures 27 to the right of 5 in order to make a period of three figures, we have 527. Taking the next lower multiple 520 from 527 we have 7 left. Bringing down the last figure 4 to the left of 7 we have 74. Taking 65 from 74 we have left 9 remainder or check figure of the sum of the four numbers.

Last, adding the check figures together, we get 22. Taking 13 out of 22, we have 9 remainder, or check figure. Now, since 9, the check figure found by dividing the sum of the numbers by 13, is the same as the remainder or check figure we had left after dividing the sum of the check figures of the several numbers by 13, the addition is proved to be correct.

The mathematical principle involved is that the remainder left after dividing the numbers to be added by 13, must be the same as the remainder left after dividing their sum by 13.

Illustration No. 2

$10000.00	check	figure	1
6878.42	"	"	12
16.92	"	"	2
.03	"	"	3
1485.00	"	"	1
$18380.37			19

This illustration presents no new feature except in finding the check figure for $10,000.00, the first period of three figures on the left is 100. Taking 91 out of 100, we have 9 left. We have no significant figure to bring down. Bringing down the two ciphers to the right we have 900. Taking 897 from 900 we have 3 left. Bringing down the two ciphers again, we have 300. Taking 299 from 300 we have 1 remainder or check figure.

The next new feature in the second illustration is in getting the check figure of the 3 cents. As the 3 stands in the last period and is below our unit, it could not be divided by 13, and, therefore, measuring by the unit 13, there would be a number (in this case 3) that cannot be divided by our unit, and it must stand out with the other check figures.

These check figure proofs apply in all arithmetical operations, and to all numbers except common fractions. There is no check figure method that will apply to common fractions because they are not based on the scale of 10. These methods apply to decimal fractions, but care must be taken to see that all decimals are of the same denomination.

In proving multiplication, the check figures of the multiplicand and the multiplier must be multiplied together. If we multiply 1485 by 1415 we get as the product 2101275. The check figure of 1485 is 3, and the check figure of 1415 is 11. The two check figures multiplied together give us 33, and subtracting 26 from 33, we get 7. The check figure of 2101275 is 7, which proves that the multiplication is correct.

Advocates of the 13 method do not attempt to commit the table to memory, but when working, keep it in some convenient place for reference.

The 13 method is the most perfect proof of arithmetical operations known to mathematicians. To make a mistake that would not be caught by this method the bookkeeper would have to make a mistake in three places, and the mistake would have to be an exact multiple of 13. For this reason and for the reason that it is so readily applied, it is preferred by many accountants, bookkeepers, and business men.

While it is of great value in testing the arithmetical operations, its greatest value, perhaps, is in preventing transpositions and transplacements in posting. If this method is applied it is well-nigh impossible to post an amount wrong. If this method is used a figure trial balance may be had every night or at any desired period by adding only the debit and the credit check figure columns.

To apply any check figure method in bookkeeping, an extra column has to be ruled for the debit and the credit check figure columns in all books of original entry, and in the Ledger. It must be remembered that the cent column represents the first two figures of the period, whether ciphers are written in the column or not. Thus $39 must be written or thought of as $39.00 in finding the check figure.

When the journal entry is made (or entry in any book of original entry) look at the table and set the check figure in its column. Then after the entry is posted, look again at the table and set the check figure in its column in the Ledger. This will prevent transpositions or transplacements that might not otherwise be noticed. Check figures are never posted. The radical (√) is generally used to indicate the check figure column.

Whether to use these check figure proofs in his schoolwork is left to the judgment of the teacher.

The following illustration will exemplify how any check figure method may be applied. Notice that the total of the check figures on the debit side of Cash account add to 25 and on the debit side of Mdse to 16, and the two to 41, check figure 2. Total of check figures on credit side of Cash account is 16, and total of check figures on credit side of Mdse is 25, and the two are 41, check figure 2. This gives you figure trial balance, and you have had to add only one column of figures on each side.

The first of the following illustrations shows the regular journal ruling except that it has an extra column for check figures for the debit amounts and another for the credit amounts. The second and the third illustrations show the regular ledger ruling with extra column on both sides for the check figures.

Page 61

19		LF		√			√		
Jan.	1	14	Cash	9	217	32			
		18	Mdse				9	217	32
	2	14	Cash	0	39				
		18	Mdse				0	39	
	5	18	Mdse	9	485	25			
			Cash				9	485	25
	6	18	Mdse	7	166	60			
			Cash				7	166	60
	7	14	Cash	10	95				
		18	Mdse				10	95	
	8	14	Cash	6	1329	18			
	8	18	Mdse				6	1329	18
				41	2332	35	41	2332	35

CASH

Page 11

19		L F		√			19		L F		√		
June	1	61		9	217	32	June	5	61		9	485	25
	2	61		0	39			7	61		7	166	60
	7	61		10	95								
	8	61		6	1329	18							

MERCHANDISE

Page 18

19		L F		√			19		L F		√		
June	5	61		9	485	25	June	1	61		9	217	32
	6	61		7	166	60		2	61		0	39	
								7	61		10	95	
								8	61		6	1329	18

The 17 and the 19 Check Figures.—The 17 and the 19 Check Figure Methods are handled like the 13 Method.

A table for the 17 method is made out, containing all the multiples of 17 in three places. Then the process is exactly the same as the 13 except the multiples of 17 are used instead of 13. A table is made out of all the multiples of 19 in three places. Then the process is exactly the same as the 13 except the multiples of 19 are used instead of 13.

The 17 and the 19, together with the unitate, the 9, the 11, and the 13 methods, explained on pages 231–234, are the methods that should be used to prove addition, subtraction, multiplication and division. The 11 or the 13 may be used in posting to prevent transpositions and transplacements. The 99, the 101, the 999 and the 1001, explained under "How to Find Errors in Trial Balances," page 238, should be used to find the number transposed or transplaced.

CHAPTER IX.—Pay Rolls

Accounts with Employees.—In most business concerns it is found necessary to employ various persons to work for a stated salary. The employees may be few or many according to the nature and character of the business. Where there are but two or three employed, accounts with each may be kept in the Ledger, these accounts being credited periodically with the salary allowed, expense being debited. When anything is paid to the employees, they are debited, and Cash, or whatever is paid them, credited. Where there are many employees, this method would involve too much work for the bookkeeper; hence, in such establishments, it is customary to keep variously ruled books, as Pay Rolls, Time Books, etc. The names of the employees are written in these books, and opposite to these is entered a record of the time they work during each month or week, the salary received, amount paid, etc. When settlement is made with the employees at the end of the week, or month, as the case

Time Book for the Month of_____19____

NAMES.	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	Total Time	Rate Per day	AMOUNT $	AMOUNT Cts.

Time, Week Ending Saturday_____19__ Denominations Required or Change List

NAMES	S	M	T	W	T	F	S	Total Time	Rate Per Hr.	AMOUNT $	AMOUNT Cts	$20	$10	$5	$1	50¢	25¢	10¢	5¢	1¢
John Smith		8	8	10	11	8	8	55½	62½	34	69	1	1		4	1		1	1	4
Abe Harker		9	7	7	10	9	9	53½	43¾	23	41	1			3		1	1	1	1
James Farley		7	8	9	11	10	8	56	35⅝	19	95		1	1	4	1	1	2		
Sam Daley		8	7	9	8	11	7	52	34⅜	17	88		1	1	2	1	1	1		3
G. W. Hunter		6	8	9	10	5	7	46½	33⅛	15	40		1	1			1	1	1	
Thos. Cook	10	8	9	8	7	6	8	66½	35	23	28	1			3		1			3
B. H. Hill	9	8	8	10	7	6	8	66	35	23	10	1			3			1		
A. C. Porter	8	8	8	8	8	8	8	64	35	22	40	1			2		1	1	1	
W. S. Hull	10	8	10	7	6	8	8	68	35	23	80	1			3	1	1		1	
										203	91	6	4	3	24	4	7	8	5	11

may be, the total amount is debited to the Expense account or to the Salary account if there is one, more often to Pay Roll account, Cash being credited. Many forms and devices are used for keeping accounts with employees.

In some factories a timekeeper is employed for each department. It is his duty to make up the time for each employee in his department, and to turn over the record to the Bookkeeping department.

In most factories each employee keeps his own time by means of a Time Register Clock and the Time or Job Tickets. The Job or Time Tickets are ruled for each employee to record the time he puts in on each job or on each kind of work he is occupied with. These Time or Job Tickets are turned in by each employee to the foreman of each department, who turns them over to the cost clerk. The cost clerk, or a clerk in the bookkeeping department, compares the total time on the time or job tickets with the employee's time in the time register clock, The cost clerk, after he apportions the cost of the several jobs to the several departments, turns the time or job tickets over to the bookkeeping department, where the time and wages of each employee are entered on the Time Sheet, or Time Account, more commonly called the Pay Roll Book.

The Pay Roll Book is made up in various forms. Some factories combine the time book and the scheme for determining the number of the different denominations of money to make the required change. (See the second illustration.) Others show only the time book form in the Pay Roll Book, and have the scheme for determining the number of each denomination to make the change printed on separate sheets.

This pay roll is made up on the scale of an eight-hour day. A time and a half is reckoned for time over eight hours a day. Double time is allowed for Sunday or Legal Holiday work. The student is requested to verify this pay roll.

If allowances are made to employees between pay days, a column should be ruled in the pay roll to record such allowances, and the allowances would have to be deducted before the check is drawn for the amount of the pay roll. Most factories will not make allowances to employees.

After the Time account is made up and recorded in the pay roll book the bookkeeper determines the number of each denomination required to make the exact change for each employee, as follows:

He looks down the columns of amounts and sets down in the scheme for denominations of money to make change (see scheme of money denominations from $20 to 1c.) first, the number of 20's; next, the number of 10's; and so on down to 1's, or pennies. To exemplify: John Smith's salary is $34.69. It will require 1 twenty, 1 ten, 4 one's, 1 half dollar, 1 ten cent piece, 1 five cent piece, and 4 pennies, to pay him. In like manner he sets down the denominations required for each employee. Next, he totals the different denominations required; as, $6\times\$20=\$120$; $4\times\$10=\$40$; $3\times\$5=\$15$; $24\times\$1=\$24$; $4\times 50c.=\$2.00$; $7\times 25c.=\$1.75$; $8\times 10c.=80c.$; $5\times 5c.=25c.$; and $11\times 1c.=11c.$ Now, $\$120+\$40+\$15+\$24+\$2+\$1.75+80c.+25c.+11c.=\$203.91$, which is the total amount required to meet the pay roll. This proves the number of denominations.

The bookkeeper next draws a check for $203.91, and debits Pay Roll and credits Cash. He then goes to the bank and gets the number of different denominations as shown by the scheme for denominations. He then writes up his pay roll envelopes with the number or name of each employee, and the amount, and fills each envelope with the required amount. If there should be money left after the last envelope was filled, or not enough to fill the last envelope, a mistake has been made, which must be found and corrected. If there is no money left when the last envelope is filled, the bookkeeper has only presumptive proof that his work was correct. He has not positive proof, because he might have left $5 out of James Farley's envelope and put $5 too much in Sam Daley's envelope. But whatever other faults workmen may have, most of them are honest, and such a mistake would probably be reported and corrected by the workmen themselves.

To prevent mistakes at least two persons count the money and prove the work before the pay envelopes are sealed. In most large factories three persons verify the work before the pay envelopes are sealed.

Some bookkeepers first set out all the 20's required; next, all the 10's; next, all the 5's; and so on with each different denomination. Banks often furnish blanks for Change List. See page 210.

Most bookkeepers use Money Racks for filling the envelopes. Some count the money by hand. Very few ever try to use paper bills as they are too liable to stick together and cause mistake.

However, some employers prefer to pay by check. They use a form of check that is good only against the Pay Roll account. They contend that the name and the amount can be written on the check as quickly as on the pay envelope. The bookkeeper fills in the name and amount on the check Then the use of checks obviates the necessity of making out the number of denominations required, and also the liability of error in filling the pay envelope.

The larger factories, if they pay weekly, rule the Pay Roll Book with sufficient columns to provide for from nine to twelve weeks. This obviates the necessity of writing the names so often.

After the pay envelopes are made up and sealed, the envelopes for each department are sent to the respective foremen, who line up their employees in the order of the numbers on the pay envelopes, and each foreman hands out the pay envelopes as the workmen file by him.

Some factories require each employee to sign a Receipt Card, which has blanks to be filled to show the number of the employee, amount, date, name of factory, town, and name of employee. On the receipt card is printed the following or similar instruction: "Sign this Receipt and Return to the Office Promptly, or Money Will be Withheld Next Pay."

Other factories do not require any receipt from their employees.

Business men make loud complaint of their inability to get competent help on the pay roll. For this reason much space has been given to this subject. Teachers should dwell on this subject until the principles and the forms are thoroughly understood. Teachers may dictate names or numbers of employees, rate by the hour, number of hours, with allowances for over-time and for Sunday or Legal Holiday work, and require each member of the class to bring a completed pay roll to the recitation.

Contractors, builders, etc., frequently have long-folding time cards made on the plan of a railway time-table, which are arranged especially for their work, having separate columns, showing just how much time has been put in on the various jobs or lines of work. By this arrangement, they can tell just how much time has been required, and what it has cost to do certain pieces of work, even though the work has been done at various times or at odd hours.

CHAPTER X.—Cost Accounting

There are three things to consider in determining the cost of any manufactured product. They are, first, the labor, second, the raw material, third, the fixed charges.

The subject of cost accounting is one that cannot be treated exhaustively in a text of this character. Owing to conditions peculiar to each of the great variety of manufacturing concerns only a few general principles can be given. An explanation of the cost system of one manufacturer will illustrate these principles better than to give a number of general rules.

A manufacturing concern, such as a machine shop, job printing establishment, food factory, sash and door mill, or others of similar character engaged in the manufacture of goods upon order of the customers, is usually divided into several departments, each of which is in direct charge of a foreman. When an order for goods is received it is passed upon by the Credit Department which determines whether or not the customer is worthy of credit and will pay for the goods as agreed upon when they are completed and delivered to him. The order then goes to the order clerk who enters it in a book called a Job Record, giving the order a number. If a price for the work has been agreed upon this is also noted in the job record, together with such other data as may be necessary. The job record is ruled into columns for each department, and consists of loose-leaf sheets bound in a loose-leaf binder. Instruction tickets for each department are prepared by the order clerk, containing detailed specifications for the guidance of each foreman. The order is then given out to the foreman of the department where the work will start, and passes from one department to another in regular order until completed. Each of the workmen in the several departments is given by his foreman a Daily Time Ticket in which he records date, number of order or orders, his own name, hours spent, and such other facts as may be desired. At the close of each day these time tickets are handed to the foreman of the department who O. K.'s them, if correct, and sends them to the cost clerk.

The cost clerk, who in the meantime has received from the order clerk the loose-leaf sheets of the Job Record, proceeds to complete the time tickets by entering the rate of wages of the workmen and carrying out the extensions. The time ticket of a workman may show several orders to which he has devoted his time in one day. The totals of these time tickets are transferred to the several job record sheets and the amounts are placed in the columns representing the departments doing the work. Each department proceeds in a like manner, no matter how many of them there may be.

An Instruction Ticket is also given by the order clerk to the foreman of the stock room who delivers to the several departments the material called for by his ticket. The stock man returns to the cost clerk an accurate account of the kind, quality, weight, size, and quantity of stock so delivered. The cost clerk enters these stock items in the job record against the proper account, and later makes another entry of the stock in a Merchandise Stock Record. At the time of entering the order, the shipping clerk has received a similar ticket wherein he is instructed as to when, how, and to whom the goods are to be delivered or shipped.

The order having been completed by all departments is delivered to the shipping clerk who, following his instructions, ships or delivers the finished product. When the work of all departments is completed, each foreman returns his instruction ticket to the cost clerk. When these instruction tickets from the several departments are in the possession of the cost clerk and have all been properly entered in the job record, he incloses them in a large, strong envelope, on the outside of which is a recapitulation of the totals of the cost in the several departments, the price at which the goods are to be billed, terms of payment, and other necessary information. This envelope is called the Charge Ticket and when completed as above outlined is sent to the billing clerk. The billing clerk makes out the invoice or bill for the goods and delivers the charge ticket together with a carbon duplicate of the invoice to the bookkeeper.

The bookkeeper apportions the profit to each department and gives each department credit on his books for its proper share of profit. When the cost clerk has completed his entries from the time tickets he sends them to the bookkeeping department, where they are recorded in a pay roll book for the purpose of determining the pay to which each employee is entitled. A workman's time clock is generally used to record the arrival and departure of the employees. The record shown on the workman's time tickets must agree with that registered by the time clock, thus furnishing a check on the time of each workman. These time tickets, as returned by each foreman, in connection with the time clock, furnish the necessary data for making up the pay roll. The subject of pay rolls is more fully treated elsewhere in this text.

The system above outlined may be adapted to a large number of different kinds of manufacturing concerns. If accurately kept, the raw cost of manufactured goods may easily be determined. To this cost must be added what is known as Fixed Charges, which includes such items as power, heat, light, rent, taxes, insurance, depreciation of machinery, management, clerk hire, and other expenses of a fixed character, which cannot be charged directly against any single order, but must be apportioned to the business for the year. The fixed charges are generally applied to each individual order on a percentage basis. By ascertaining the total amount of business done by the concern for a given period, and the total fixed charges for the same period, the percentage of fixed charges which should be added to the cost of production may be accurately determined.

CHAPTER XI.—How to Find Errors In Trial Balance

If Trial Balance is off, do not "force" it or "plug" it, but proceed as follows:

1. Find the exact difference.

2. If the difference is 1c., 10c., or $1.00, or any number of 1's, or the difference is $99.90 or $99.99, etc., the error is most likely to be in addition or subtraction. Prove your work by the unitate, the 9, the 11, or the 13, method.

3. Compare the difference with the accounts in the last balance of balances account. Compare the total footings of your posting mediums with the total of your Trial Balance, less old balances.

4. If there are more than two significant figures in the difference as $11.88, $43.56, $62.37, $143.55, $1480.05, etc., and the difference is divisible by 9, a transplacement (or slide) may be suspected. Then divide the difference by 9, and that quotient by 11, and then look in posting mediums for the last quotient in dollars posted as cents or two places posted in cents' column or vice versa. Suppose the difference is $11.88; 1188 divided by 9 gives 132, and 132 divided by 11 gives 12, or $12.00, which is the number transplaced, or posted as cents. $1480.05 divided by 9 gives 16445, and 16445 divided by 11 gives 1495, or $1495; and the whole number has been moved to the right two places, and posted as $14.95, and so forth. (Note.—If the unitate of the difference is 9, the difference itself is divisible by 9, and this can be determined by inspection.)

5. If there are only two significant figures in the difference, and the unitate of these figures is 9, a transposition may be suspected. Suppose the difference is $27,000; disregard the ciphers and divide the significant figures by 9. 27 divided by 9 gives 3, and this shows that some number has been transposed whose fifth figure is three greater than its fourth figure; as $58295 posted as $85295 or vice versa. Then look in the posting mediums for numbers that answer this condition, and trace each one to the Ledger until the transposed figure is found.

Note.—By applying the principles elucidated in No. 4 and No. 5, it will be very easy to find the numbers that may be transposed to give any given difference that may occur in a trial balance by reason of a transposition. To exemplify: Suppose the trial balance shows us 18 cents long, on the credit side. 18 divided by 9 gives 2; and 2 plus 11 gives 13, and 13 transposed gives 31, and the difference between 13 and 31 is 18; which shows that 13 may have been posted as 31, because this would make us just 18 cents long on the credit side. To find the numbers that could have been transposed to give a difference of 18 cents, we have only to add 11 consecutively to 2, the quotient of 18 divided by 9, and again add 11 to their sum, 13, (2 plus 11) and so on, until we reach a number that is divisible by 10. Thus, 18 divided by 9 gives 2, and 11 added to 2 gives 13; 13 transposed gives 31. Eleven added to 13 gives 24, and 24 transposed is 42; and 11 added to 24 gives 35, and 35 transposed gives 53; and following this principle we have the numbers, 13, 24, 35, 46, 57, 68, and 79, as the numbers that may be transposed to give a difference of 18 cents. If we add 11 to 79 we have 90, but 90 is divisible by 10; and we are, therefore, at the end of our series of numbers that may be transposed to give a difference of 18 cents when we come to 79. In this illustration we have taken the column of cents and dimes as the period of two figures to be considered. If the difference should be $1.80 or $180.00 or $1800.00, and so on, we disregard the ciphers (except that they show us where the transposition occurred) and proceed in the same way as in the illustration to find the numbers that may have been transposed to give us the difference required.

The same principles apply in transpositions in the first and third positions, or first and fourth, or any other position, or second and fourth and any other position, etc.; except that we use the 99 and the 999 method, and 101 and 1001 method, etc., in finding the number transposed, and the numbers that may be transposed to give the exact difference that the trial balance may be off. To exemplify: Suppose we are $1.98 long on the credit side. Now, 198 divided by 99 gives 2. Then 101 added to 2 gives 103, and 103 transposed gives us 301; and the difference between 301 and 103 is 198, or $1.98. Then to find the other numbers that may be transposed to give $1.98, we add 101 to 2 and we get 103; then to 103 we add 101, and so on, and we have as the numbers that may be transposed to give a difference of $1.98—103, 204, 305, 406, 507, 608, and 709. If we add 101 to 709 we get 810; but 810 is divisible by 10, and, therefore, 709 is the last number of the series.

Double Transpositions.—The difference produced in the trial balance by a double transposition is not necessarily divisible by 99 or 999, as it is not produced on that mathematical principle. It may so happen that the difference may be divisible by 99 or 999, but it is accidental and not mathematical. But the unitate of the difference produced by a double transposition is 9, and disregarding terminal ciphers the difference is divisible by 9; and therefore a transposition may be suspected.

If the difference in the trial balance by a double transposition should be divisible by 99 or 999, the number transposed could not be found by the principle of 99 or 999, because the difference was not produced by that principle; but the number transposed to give the difference can easily be selected by inspection by applying the mathematical principle that the difference in dollars in the trial balance is one less than the difference between the dollars and the cents in the number transposed.

If the difference is expressed in four figures and the unitate of the difference is 9, and the difference is not divisible by 999, then it is believed that the numbers that would give the difference in the trial balance may be easily selected by inspection. To exemplify: Suppose $65.14 has been posted as 14.65. Tl is would give a difference in the trial balance of $50.49. Now 5049 is not divisible by 999, but the unitate of 5049 is 9; and therefore a transposition may be suspected. Suppose the credit side is $50.49 long. Then the smaller period of two figures in the cent column has been transposed into the dollar column; and the larger period of two figures in the dollar column has been transposed into the cent column. In such transpositions the difference in dollars in the trial balance will be one less than the difference between the dollars and the cents of the number transposed, or in this case, 51. 65 less 14 is 51. Then since the credit side was long, we look on the credit side of our posting mediums for a number of dollars and cents in which the cents subtracted from the dollars will give 51, and trace such numbers to the Ledger, until we find the number transposed.

Again suppose the difference is $65.34. 6534 is not divisible by 999, but the unitate of 6534 is 9, and therefore a transposition may be suspected. Suppose the debit side is $65.34 long, then we look on the debit side of our posting mediums for a number of dollars and cents, the difference between whose dollars and cents will be one greater than the difference in dollars in the trial balance. $80.14 answers this condition. 14 subtracted from

80 leaves 66, which is one greater than the difference in dollars in the trial balance. Trace numbers that answer this condition to the Ledger till the transposed number is found.

The student should understand the mathematics underlying bookkeeping well enough to enable him to determine in most cases what was done to produce the difference in the trial balance by what the difference is. In other words, he should read his process to find the error out of what the difference itself expresses to him. To exemplify: Suppose the difference is $79.20. He should know the mathematical principle that when the difference is in four places and the cents added to the dollars gives 99, the error was most likely produced by a transplacement; and the number necessary to make the difference up to even dollars was transplaced to the cent column; that is, $80.00 was posted as $.80.

Again, if the difference is $72.00 he should be able to read at a glance that $91.00 has been posted as $19.00 or vice versa, as $91.00 is the only number of dollars that can be transposed to give a difference of $72.00.

Or, again, if the difference is $36.00, he should be able to read at a glance that $15, $26, $37, $48, or $59, are the only number of dollars of the series that could be transposed to give a difference of $36. If he understands the mathematics of the science, it is only a question of a very few minutes to find an error produced by a transplacement or a transposition.

6. If the difference is not divisible by 9, divide by 2 and look for the quotient posted twice to the same side.

7. Look carefully over the folio numbers of all posting mediums to see whether any posting has been omitted; or accounts not to be posted set in posted columns or vice versa.

8. See whether Balance of Cash account has not been omitted.

9. Look for some account ruled off during the month to find the balance and the balance not brought down

10. Localize the error by

First—Checking all footings carried forward in the several books or in the recapitulation sheets, etc.

Second—Drawing off from the Ledger the credit postings from the Sales Book, using a separate column of figures for each week's posting. Find the grand total for weeks and compare with total of Ledger for same period. Compare total by weeks. If difference is found there is only one week to check.

Third—Compare Purchase Book posting in the same way.

Fourth—As the Cash Book and the Journal are self-balancing, they are left to be compared last. By proceeding in this systematic and sectionalized manner, checking is reduced to a minimum and great time saved. (Note—It is better to use a different colored pencil in checking postings from different posting mediums.)

11. Both sides of the Trial Balance may be off.

The learner must not overlook the principle that the true trial balance is the total footing of the posting mediums for the period covered by the trial balance. If to this sum we add the balances brought down under old accounts, we have the sum of the trial balance sought. If both sides should be off, then find the exact difference the debit side is off by taking the difference between the total debit footings of posting mediums and the true trial balance, as defined above. This test will determine whether the error has been made by failing to bring down old balances or by wrong posting. Then, having the exact difference the debit side is off, apply the tests as enumerated above.

If both sides are off, the exact amount the credit side is off may be found by taking the difference between the total debit footings of posting mediums and the true trial balance. Then, having the exact difference the credit side is off, apply the tests enumerated above.

Each student should exhaust these suggestions thoroughly before he allows any one to help him.

12. If the error cannot be found, after all due diligence, then open a Discrepancy account and debit or credit the account that is off, as the case may require, with discrepancy, in red ink, for the amount of the error.

If the error is not found in a reasonable time, close the Discrepancy account into the Loss and Gain account.

Make no attempt at concealment, but consult your teacher or your employer freely about the error.

It is important that you consult with your teacher or your employer about all your work.

How to Prevent Errors.—The prevention of error is of such great importance that many business houses will go to great expense to provide their bookkeeper with a safeguard.

Many business houses have been known to pay $50.00 to $500.00 for a scheme to safeguard their bookkeeper against error.

1. The 11 check figure method and the 13 check figure method, explained in this book, have been sold in many parts of the country for $50.00 each, and often for much more. To apply these methods the books of original entry and the Ledger are ruled with a column for check figures, and after each entry is made, the check figure of the amount by the 11 or by the 13 method is set in the check figure column. Then after the amount is posted to the Ledger, the check figure is again struck out of the amount and the check figure set in the check figure column in the Ledger.

These check figures must agree, and therefore an error in posting is prevented.

The advantages of these methods have been explained and the student is referred to the explanation, and advised to practise these methods until he can handle them with facility; because he may be required to use either in the position he may be called on to fill. Not to know how to use them would, in many instances, lose him the position.

2. Other business houses require the bookkeeper to use the Reverse Posting Proof. This is done by providing the bookkeeper with slips of paper about one inch wide, and of convenient length for the books used. Two colors of paper are used. The white slips are used for the debit postings and the pink for the credit postings. When a debit amount is posted the amount is written on a white slip and the slip allowed to protrude above the Ledger at the page of the account, far enough for the amount to be seen. Then, when all the debit amounts of any posting medium have been posted the total of the amounts on the white slip should equal the total debit post

ings for that medium. The amounts on these slips are generally transferred to a sheet of paper or a small book, properly ruled for the purpose.

The credit postings are duplicated in the same way on the pink slips.

This, it will be seen, is double posting; and as the totals of the slips and of the amounts in the Ledger must agree it is a check against an error.

3. Other business houses require their bookkeepers to provide themselves with a small book with double money columns on each page. Then, when the bookkeeper posts from each medium, he first writes the initial or initials of the books he posts from at the top of the column in the little book; as C. B. for Cash Book, and the date. Then when he posts a debit amount to the debit side of the Ledger, he writes the amount in the debit column of the little book. When he posts a credit amount to the credit side of the Ledger, he writes the amount in the credit column of the little book.

From this it will be seen that the debit and the credit amounts in the little book must equal the debit and the credit amounts respectively, in the Ledger.

This, it will be seen, is double posting and is a check against an error.

This safeguard is sometimes called the Perpetual Ledger Proof Posting, and the little book is generally spoken of as the Perpetual Ledger Balance Proof Book.

4. Other business houses have their Ledgers made self-balancing by having a ruling that provides for a debit and a credit balance in the Ledger. These balances are written in the balance column as the posting is done. This enables a balance of the difference to be taken daily, if desired. Balance of any account may be had instantly. Monthly statements are readily made out by use of this Ledger. See Self-balancing Ledgers under Classification of Ledgers, pages 227, 228.

SELF-BALANCING LEDGER

DATE		L F	EXPLANATION	Debit		Credit		Debit Bal.		Credit Bal.	

5. Other business houses have their books ruled so as to apply one of the three leading columnar safeguard methods or some modification of these methods.

These mathematical tests are known among accountants as (1) the "Bankers' Tests," First, the "Difference Test," and Second, the "Footings Test." The "Difference Test" proves the correctness of the work by the mathematical principle that the difference between the columns of the sums of the old balance and of the deposits, less the column of checks, equals the last balance; Second, The "Footings Test" by which the correctness of the work is proved by adding the footings of the checks columns and the footings of the Currency deposits together. These footings must equal the footing of the Deposit column. And (2) the "Total Tests," that the totals of several columns of items must equal the grand total of all such columns; (3) the "Difference Test," the ruling of columns so as to provide for the mathematical test that the difference between the columns representing receipts, and the columns representing disbursements, equals the difference between the columns representing losses and the columns representing gains.

This test or some modification of it is nearly always applied to the synoptical journal or other columnar journals.

6. Other business houses require their bookkeeper to take off the footing on the adding machine, using the black for the debits and the red for the credits. This is required to be done daily, so if an error occurs only one day's work is to be considered.

CHAPTER XII.—Miscellany

Cash Sales.—In the absence of a regular cash system, which is not generally used in the smaller retail houses, a certain amount of change is placed in the various money drawers each morning. All cash sales of the day are thrown in with this sum and at night the cash from these various money drawers is counted, and from it the amount deposited for change in the morning is subtracted, and the balance entered in one amount on the debit side of the Cash Book as "Mdse Sales." When this system is used, nothing but cash sales are paid over the counter, and all accounts, notes, drafts, etc., are paid at the bookkeeper's desk.

If there are various departments in the store, and it is desired to keep a separate record of the sales, then each department should be debited for the change furnished in the morning, and credited for the sum returned. A record of the amount of change deposited is usually kept in a common five or ten cent memorandum book. Some

bookkeepers also enter in this book the actual amount of cash on hand each night. This sometimes proves of great assistance to them on the following day in getting their cash balance.

The cash sales are never itemized in a retail store, and seldom ever in a wholesale house; however, it is sometimes done for the purpose of being able to fill country orders when customers write and request them to duplicate their last order, or some other order of a certain date. Again, merchants soon become acquainted with this class of customers and itemize each order, while other merchants itemize only such cash sales as are given verbally, depending on their order book or the customer's letter for all other orders.

Fuel.—When it is desired to classify the various items of expense, an account may be kept with Fuel, charging it with everything in the way of wood, coal, and kindling. When coal oil is used for lighting purposes, it may be kept in connection with Fuel account by opening an account with Fuel and Oil.

Signature.—When a person engages in business, he should establish a signature and be very particular to use it at all times, especially in signing notes, drafts, and other commercial papers; also in cases where his signature is required for the purpose of identifying the signatures of other people.

Taxes.—There are various minor reasons for keeping an account with taxes, but it is generally done when it is desired to classify the expense. It is also much more convenient for reference purposes, and may be somewhat gratifying in this respect. In the absence of this account, the taxes should be charged to the Expense account.

Clearing House.—A Clearing House is a business place or office where bankers meet and make daily settlements with one another, by paying or receiving the difference between their accounts, which arises from the checks drawn by the depositors of the various banks. For example: If John Smith draws a check for $1000 on the Pacific Bank which was afterward deposited with the California Bank, the check will be presented on the following day at the clearing house to the representative of the Pacific Bank, who will give in exchange such checks as his bank has taken in against the California Bank, which have been drawn by their depositors, aggregating $750, thus paying $250, and effecting a settlement in full of account to date.

A clearing house is simply a business office that has been established by an association of bankers for the purpose of settling daily their claims against one another, the same as, or similar to, the manner described.

Controlling Interest.—If a stockholder owns one share more than half the total number of shares of the capital stock, he is said to hold a Controlling Interest. It is often a difficult matter to use this controlling interest to the disadvantage of other stockholders. To vote himself a large salary or to get other undue advantage, someone must first move to give him large salary or other advantage; another must second the motion. This can be brought about by giving or selling at nominal price one or more shares to persons called "Stool Pigeons" or "Dead Heads," who will act as he directs. But persons that will stultify their manhood and self-respect in such manner are not to be trusted, and are liable to turn their balance of power with other stockholders at any time. Their honor has been bought once; it can be bought again.

The Pivotal Account or Pivotal Plan of Keeping Books.—The Investment account is called Pivotal account when the purpose is not to disclose the proprietor's name and such other accounts as rent, bills payable, clerk hire, etc., which if disclosed might work detriment to the business. This plan is applicable to both large and small establishments. The account is often opened in large establishments and handled in about the same way as a private account. Whether applied in a large or a small business, the bookkeeper closes the Loss and Gain account into Undivided Profits if a gain, or into Impairment account if a loss.

Precedence of Closing Accounts.—Every account affecting merchandise account should be closed into that account before the Retd Mdse. account is closed into Mdse. account. Every account affecting general expense should be closed into the Loss and Gain account before the Loss and Gain account is closed. A bookkeeper was hired at $100 a month and ten per cent of the net profits. He took ten per cent of the profits before he closed his own account into the Loss and Gain account. Did he observe Precedence of closing accounts?

First Opening of Books.—If a student should be called to a position where no books had been kept, he should proceed as follows:

(*a*) He should make a complete and exhaustive list of Resources from such records and other data as had been kept, and from such information as he could gather from the proprietor. He should list the inventories in the Journal. List each Resource Inventory separately and set the estimated or cost value in the debit column. Set the total of the Resources in the credit column.

The following is a suggestive list of Resource items:

(1) List all Cash.

(2) List all unsold or unused stock (merchandise or manufactured goods unsold).

(3) List all real estate.

(4) List all horses, wagons, office furniture, office fixtures, tools, implements, and any other items belonging to the business.

(5) List unused rent, unused fire insurance premiums, life and accident policies, if pledged for loans, unused office books and stationery, taxes paid in advance, shipments unsold, etc.

(6) List accrued interest due the firm.

(7) List all overdrafts due the firm, rents and salaries due the firm, etc.

(8) List all bills receivable, due bills, and judgments in our favor (list due bills in names of persons giving them).

(9) List all bonuses, franchises, or charters, copyrights, trademarks, leases, licenses, concessions, good will, if any basis on which to establish the measure of good will, etc.

(10) List all personal accounts due the firm.

(11) List all loans due the firm.

(12) List all money paid out for material or labor on unfinished contract, less any advance payment on such contract.

(13) List all notes or other property deposited with any bank or person, as collateral security, if by such deposit the business incurred a liability.

(14) List any property of any nature whatever not already listed.

(*b*) He should make complete and exhaustive list of Liabilities of the firm. The opposite of the Resource items will suggest liabilities. List each liability inventory separately and set the estimated or cost value in the debit column. Set the total in the credit column. Look especially for interest, freight, and unsold consignments.

(*c*) Give the proprietor's account credit for the difference between the Resources and the Liabilities. (If the proprietor wants Private account opened his Stock account must be reduced by the amount of Private account.)

(*d*) Write the Opening Statement, debiting the Resources and crediting the Liabilities. See par. 15 (2) (c) and (3) (c).

(*e*) Post all accounts in the Opening Entry to the Ledger.

(*f*) Take Trial Balance and the books are open.

The Postage Account.—The Postage account is debited and cash credited when Postage Stamps are bought.

If a customer pays part or all of his account in stamps, postage is debited and the customer credited.

Each department of the business is debited daily through the Stamp Record with the stamps it uses.

At each profit-taking period, the postage account is credited with the total disbursements to the several departments, and each department is debited with the total amount of stamps it has used for that period.

The postage account is balanced each day in the Stamp Record, and closed into balance in the Ledger at each profit-taking period.

Traveling Expenses.—This account should be kept with each traveling agent for his necessary traveling expense, such as salary, railroad, steamboat, and stage fare, hotel bills, transfer of baggage, etc. This account should include the agent's salary.

Power of Attorney.—A bookkeeper may indorse checks, drafts, or other of the firm's papers, for deposit, by getting a written order from the proprietor asking the president or the cashier of the bank to recognize such indorsement. But to sign checks, drafts, notes, or other papers, he must first get the Power of Attorney, investing him with such power.

The Blotter.—A Blotter is a counter book in which is written in pencil memoranda of various transactions of the day, which are to be recorded in the permanent books by the bookkeeper. This book has largely taken the place of the day book, and the blotter and the day book are spoken of interchangeably.

Waive Protest.—"Protest Waived," written or printed above an indorsement will prevent the paper from being protested and save protest fees, should the paper not be paid when due. A waiver may facilitate the disposal of a paper, but the legal effect of a waiver should be thoroughly understood before it is used. Consult your Commercial Law book or ask your teacher to explain the legal effect of a waiver.

Loss Posted to Resource Accounts.—A printing press broke down and the cost for making it "as good as new" was $500. This $500 was posted to the Machinery account, which made the Machinery account show a cost of $60,500 instead of $60,000. The $500 should have been posted to Repair account, which account would have been closed into Loss and Gain.

Insolvency Account.—If required to show the amount of the Insolvency in an account, open an Insolvency account, and close the Loss and Gain account into Insolvency account, and then close the Insolvency account into Proprietor's account.

Good Will.—Good Will is the estimated worth of the patronage of a business. It is a fictitious asset, as it has no tangible value, and yet it is often of great worth.

An account is often opened with Good Will when there is no thought of selling the business; and the account is debited with the estimated worth of the patronage in order to swell the resources of the business. As a matter of fact, the Good Will account is sometimes put unreasonably high in order to cover up a real insolvency.

When a sale of the business is contemplated, the question of Good Will always comes up. Then the Good Will account is debited for the amount paid for the patronage of the business and at each profit-taking period it is the general custom to inventory the account and to write off some per cent to the Loss and Gain account.

The measure of the Good Will of a concern is found as follows: 1. Find the total profits for the five years last past. 2. Take seven per cent interest on the capital stock for five years. 3. Subtract the amount of interest from the total profits, and the remainder is the measure of the Good Will of the concern.

The Good Will account is closed into Bal. Inv'ry and Loss and Gain, in red ink. The red ink Loss and Gain entry is carried to the Loss and Gain account in black ink; and the red ink Bal. Inv'ry entry is brought down on the opposite side below the ruling, and in black ink.

Trade Mark.—A Trade Mark is a distinguishing mark, or device, or symbol, adopted by a manufactory or other business concern. The trade mark is impressed on all advertising literature, stationery, etc., and is often impressed on the manufactured article. A trade mark is subject to registration by the government, and when registered, it is protectable by law.

The value of a trade mark is largely a matter of estimate, and generally an arbitrary amount is named.

When a trade mark has been adopted and registered, a Trade Mark account should be opened and the account debited for the estimated worth of the trade mark.

At each profit-taking period it is the general custom to inventory the account and to write off some per cent

to the Loss and Gain account. As the life of the trade mark is thirty years, one-thirtieth of the estimated value is often written off as each profit-taking period. Renewable for thirty years.

The Trade Mark account should be closed in the same manner as the Good Will account is closed.

A Bonus, a Lease, a Franchise, a License, or Concession account is handled in the same way as the Trade Mark account, except that the life of these accounts is generally different from the life of the trade mark; and therefore the per cents written off differ.

Patent.—A Patent account is handled in the same way as the Trade Mark account. The life of the Patent is seventeen years, and therefore one-seventeenth is often written off at each profit-taking period. Renewable only by special act of Congress.

Copyright.—A Copyright account is handled in the same way as the Trade Mark account, except that as the original life of the copyright is twenty-eight years, with privilege of renewal for fourteen years, one twenty-eighth is often written off at each profit-taking period.

Judgment.—If we have an account against Jones, for $100, and sue and get judgment, then Judgment account should be debited and Jones credited for $100. As the judgment will draw interest, then, when the judgment is paid, debit Cash for the face of the judgment plus the amount of the interest, and credit Judgment for the face of the judgment, and interest for the amount of the interest.

If judgment is obtained against us, then the foregoing procedure and the items of the account would be reversed.

Spot Cash.—This term means that the goods must be paid for in cash upon delivery. When a discount is allowed for "cash," it is understood that they are to be sold for "spot cash," and that the usual thirty days' credit is not to be taken advantage of.

Bankruptcy.—By the United States Bankruptcy Law, a "bankrupt" shall include a person against whom an involuntary petition or an application to set a composition aside or to revoke a discharge, or who has been adjudged bankrupt.

Voluntary.—Who may become Bankrupts.—Any person who owes debts, except a corporation, shall be entitled to the benefits of this act as a voluntary bankrupt.

Involuntary.—Any natural person except a wage-earner or a person engaged chiefly in farming, any unincorporated company, and any corporation engaged principally in manufacturing, or mercantile pursuits, owing debts to the amount of one thousand dollars or over, may be adjudged an involuntary bankrupt.

Acts of Bankruptcy.—Acts of bankruptcy by a person shall consist of his having (1) conveyed, transferred, concealed or removed, or permitted such to be done with intent to hinder, delay, or defraud his creditors; (2) transferred, while insolvent, any portion of his property to one or more of his creditors; (3) suffered or permitted while insolvent any creditor to obtain legal preference.

Insolvency.—A person shall be deemed insolvent whenever the aggregate of his property, exclusive of property which he may have transferred or concealed, with intent to defraud, shall not, at a fair valuation, be sufficient to pay his debts.

Defense of Insolvency.—The defense against insolvency is to prove that one is solvent.

The full text of the law may be had by sending 10c. to the Supt. of Documents, Washington, D. C.

Unusual Losses or Unusual Gains.—There are two ways of treating an unusual loss, such as loss by fire, theft of property, or death of animals, etc. One way is to debit Loss and Gain at the time of the occurrence of the loss, and credit the property lost or destroyed. The other way is to make no entry whatever, but allow the loss to be brought out in the inventory. The method to be chosen will depend on the kind of property lost and the nature of the business, and also the extent of the loss. If cash were stolen, the Cash Book would show the balance that should be on hand. A Loss and Gain entry would be the only entry. If the business were of such nature as not to admit of keeping a stockbook, such as the retail grocery or hardware business, etc., and a loss of merchandise should occur, a Loss and Gain entry would be the only entry; while if the business were such as to afford an accurate account of stock by a stockkeeper, as in many instances in factories, then only a memorandum note of the loss should be made, and the loss would be brought out in the inventory. If a Loss and Gain entry were made in such case, memorandum note should be made and allowance made at time inventory is taken otherwise the loss would be recorded twice, once in the Loss and Gain entry and again in the inventory.

If there were complete destruction by fire the lack of any resource inventory would show the merchandise and store or factory losses. If indemnity is expected from insurance carried, the bookkeeper should not make any entry until after adjustment.

If an unusual gain is met with, such as the discovery of omitted property after the inventory is taken and the books closed, the property, such as merchandise, chattels, etc., should be debited and Loss and Gain credited. A memorandum note should be made to prevent the showing of a double gain in the event of an accurate record of sales and inventory.

In the formation of partnerships and in the consolidation of corporations it is customary for the seller to guarantee the payment of all outstanding personal accounts and bills receivable.

In event of the failure of personal accounts or bills receivable, the seller would have to make good the loss. In such event, the seller should be debited, and Loss and Gain credited.

On the other hand if some resource was regarded worthless at the time of the formation of the partnership or the consolidation of the corporation, and not included in the list of resources that the buyer bought, and should afterward prove of value and be paid, such value belongs to the seller and does not affect the books of the partnership or the consolidated corporation.

Again, if the seller should omit some liability or understate it, or some resource included in his list of resources should fail or partly fail, such loss would fall on the seller and would have to be made good by him. In such case the seller should be debited and Loss and Gain credited.

CHAPTER XIII.—Returns and Rebates or Returned Mdse Account

An account should be opened with Returned Mdse, and when you return merchandise, you should debit the firm the merchandise was returned to, and credit Returned Mdse. When merchandise is returned to you you should debit Returned Mdse, and credit the firm returning the merchandise. (In case of many "Returns" it is better to keep book of "Returns." Some bookkeepers use the right-hand money column of the Purchase Book to record any returns by us and the right-hand money column of the Sales Book to record returns to us. They then in the Purchase Book credit Accounts Payable Controlling account for the full amount of purchases and debit Accounts Payable Controlling account for the amount of the returns; and, in the Sales Book they debit

MERCHANDISE

Ledger Page 96

19–						19–					
Aug.	2	Bal. Invry		1200		Aug.	3	S	98	657	19
	3	P	200	248	96		4	S	99	1700	24
	5	P	201	3295	20		6	S	100	1875	25
	8	P	202	68	74						
		Total Purchases		4812	90			Total Sales		4232	68
	10	*Less Returns L*	*98*	*160*			*10*	*Less Returns L*	*98*	*95*	
		Net Purchases		4652	90			Net Sales		4137	68
	10	Freight L	48	35	60		10	Mdse Dis. L	65	25	02
	10	Drayage L	44	3	50		10	Mdse Exch. L	97	75	
	10	Comission L	42	8	90		*10*	*Bal. Invry Mdse*		*1000*	
	10	Mdse Exch. L	97	120			*10*	*Invy Mdse Exch. L*	*97*	*80*	
	10	*Loss and Gain*	*30*	*496*	*80*						
				5317	70					5317	70
Aug.	12	Bal. Invry		1000							

Form No. 1

MDSE EXCHANGE

Ledger Page 97

19–						19–					
Aug.	2	Machine No. 672 J	22	50		Aug.	9	Machine No. 672 S	28	75	
	8	Machine No. 520 J	23	60			*10*	*Mdse L*	*96*	*120*	
	8	Repairs C	24	4							
	8	Labor C	24	6							
	10	*Mdse L*	*96*	*75*							
				195						195	

Form No. 2

MDSE EXCHANGE

Ledger Page 97

19–						19–					
Aug.	2	Machine No. 672 J	22	50		Aug.	9	Machine No. 672 S	28	75	
	8	Machine No. 520 J	23	60			*10*	*Bal. Invry*		*80*	
	8	Repairs C	24	4							
	8	Labor C	24	6							
	10	*Loss and Gain*		*35*							
				155						155	
19– Aug.	12	Bal. Invry		80							

Accounts Receivable Controlling account for the full amount of the sales and credit Accounts Receivable Controlling account for the amount of the returns; which is the same in effect as to handle the account as illustrated in this book. Others keep this account in the Journal. Much depends on what is included in the account. Sometimes cash is returned to us or by us. In that event, of course, that much of it would fall in the Cash Book, and the Cash Book should have columns for Returns and Rebates.)

See pages 35 and 37 for closing Retd. Mdse account.

Express, Drayage, Mdse Discount, and all similar accounts affecting Mdse account would be closed into the Mdse account. All such accounts should be closed before Retd Mdse account is closed, except when it is desired to show net purchases and net sales, rather than net debits and net credits.

RETURNS AND REBATES OR RETD MDSE Ledger Page 98

19–							19–						
Aug	2		R	20	70		Aug.	2		R	20	160	
	3		R	21	25			10	*Mdse*	*L*	96	95	
	10	*Mdse*	*L*	96	160								
					255							255	

FREIGHT Ledger Page 48

19–							19–						
Aug.	7		C	22	35	60	Aug.	10	*Mdse*	*L*	96	35	60

DRAYAGE Ledger Page 44

19–							19–						
Aug.	5		C	23	3	50	Aug.	10	*Mdse*	*L*	96	3	50

COMMISSION Ledger Page 42

19–							19–						
Aug.	7		C	21	8	90	Aug	10	*Mdse*	*L*	96	8	90

MDSE DISCOUNT Ledger Page 65

19–							19–						
Aug.	2		C	28	10	86	Aug.	4		C	29	49	96
	7		C	29	14	08							
	10	*Mdse*	*L*	96	25	02							
					49	96						49	96

If Mdse Exchange has no inventory the difference between the two sides shows the loss or the gain on the account.

If Mdse Exchange has an inventory, its inventory should be added to its credit side and also to the credit side of the Mdse account. After the Mdse Exchange account is closed into Loss and Gain its inventory should be brought down on the debit side of the Mdse Exchange account See Forms No. 1 and No. 2.

Form No. 1 is given to show the closing of Mdse Exchange account into the Mdse account, for the purpose of showing the loss or the gain on the Mdse account as a whole. Form No. 2 is given to show the closing of Mdse Exchange account to show the loss or the gain on the Mdse Exchange account. It is desirable to know whether it is profitable or not (and the per cent of loss or gain) to take old automobiles or other old machinery in part payment of new machinery and to add additional expense in the way of material and labor andto sell the

repaired machines. If additional space should have to be rented to carry on the repairs the charge for rent should be added to the Mdse Exchange account.

Note.—If the learner will notice how "Mdse Dis." "Ledger Page 65" is closed to the right-hand side of Mdse account, and how "Commission" "Ledger Page 42," is closed to the left-hand side of Mdse account, and so on, by following the Ledger references, he will see how all these accounts, which are related to Mdse, are closed into Mdse account.

CHAPTER XIV.—Laws of Carriers, Shipments in Bond and Freight Claims

Classes of Carriers.—Carriers are of two kinds, Private Carriers and Common Carriers. A Private Carrier is one who undertakes to carry goods for particular customers only, and by special agreement. A Common Carrier is one who undertakes to carry for all persons who offer goods and the charges of carriage. Railroad companies, express companies, steamship companies, teamsters, and truckmen, are familiar examples of common carriers.

Liability of Private Carriers.—A private carrier is liable for damage or loss of goods intrusted to him for the transportation, only when the damage or loss arose through his failure to use ordinary care.

Liability of Common Carriers.—When their liability is not qualified by contract or by statute common carriers are responsible *for all loss or damage* during transportation arising *from any cause what oever*, except the act of God or the public enemy. This sweeping liability of the common carrier is usually expressly limited, and is often entirely extinguished by the contract between the carrier and the shipper.

Act of God.—Under no circumstances can a carrier be held liable for loss or damage arising through an act of God. The expression "Act of God" means such irrepressible disaster as results immediately from natural causes and is not attributable to any human agency.

Loss or Destruction of Goods.—If goods under transportation are lost or destroyed through means which the carrier might have prevented by the exercise of due care, the carrier will, in general, be held liable.

Loss from Natural Causes.—A common carrier is not liable for loss caused by frost, fermentation, evaporation, or natural decay, or from the natural wear and tear in transportation, provided the carrier exercised reasonable diligence to render the loss as slight as possible.

Limitation of Liability.—All courts agree that the carrier may make a valid stipulation with the shipper that the carrier shall not be held liable for loss or damage to the goods carried, arising without negligence on the part of the carrier. Some courts go even further and hold that a common carrier may contract for entire immunity from liability. This is particularly true when the carrier contracts for some special service out of the ordinary course of his business.

Loss on Connecting Line.—A carrier may make a valid stipulation against liability for loss arising on the line of a connecting carrier.

Liability for Its Own Negligence.—In the absence of special reasons, it is generally held contrary to public policy to permit a carrier to contract for immunity against liability arising from the negligence of itself, its agents and servants. Such contracts are quite generally held void.

Stipulation as to Value.—A stipulation that the carrier shall not be held liable for an amount exceeding the valuation placed upon the goods by the shipper, in consideration of which the carrier undertakes to transport the goods at a less rate than would be asked if they had been appraised at a higher value, is valid.

Rules.—Reasonable rules prescribed by common carriers and brought to the attention of shippers will be sustained by the courts.

The Bill of Lading.—A bill of lading is both a receipt and a contract. It is a receipt for the goods delivered to the carrier; it is a contract to carry the goods safe so received. Bills of lading are evidence of property. A carrier who delivers goods to a consignee without production of the bill of lading, does so at his own risk. If the goods are delivered to one not entitled to receive them, the carrier will be held liable.

Draft with Bill of Lading.—When a shipper names himself or his agent as consignee and sends a bill of lading with the draft attached for collection as a condition precedent to delivery, title remains in the shipper, or his assigns, until the bill of lading passes into the hands of the consignee by a payment of the draft.

Discrimination in Rates.—A common carrier has no right to discriminate between members of the public. The carrier must serve all alike and for like compensation.

Stoppage in Transitu.—When a shipper, while goods are in the hands of a carrier, discovers that the consignee is insolvent, he may stop delivery of the goods by giving the carrier notice not to deliver them. This is known as "stoppage in transitu." The carrier may lawfully require indemnity from the shipper before making the stoppage effective. The right of stoppage in transitu is based upon the plain principle that one man's goods should not be used to pay another man's debts. The right can be exercised only in cases where the vendee's insolvency was unknown to the vendor, at time of sale, or when it occured after the sale. It must be exercised, if at all, before delivery of the goods has been made to the vendee. After delivery, it is too late. If the vendor knew that the vendee was insolvent at the time of sale, and chose to take the risk, he cannot afterward exercise stoppage in transitu.

How to Ship Goods in Bond.—The shipper will have to go to his nearest Customs House with his shipping order. At the Customs House he will have to fill out a manifest. A manifest is a shipping order used by the government. IN BOND means corded and sealed, and remaining in care of the government.

In shipping goods in bond, it is well to observe these directions:

(1) Direct your shipper to ship your goods to be cleared in your nearest or home Customs House. Clearing the goods means paying the duty on them.

(2) Instruct your shipper to ship your goods "without appraisement." This he can do by writing "without appraisement" on the face of the Bill of Lading.

These instructions will prevent some port broker, at landing of the vessel, from clearing the goods at an extortionate price.

To exemplify: Suppose you want to ship goods from Amsterdam, Holland, to Indianapolis, Ind. Instruct your shipper in Amsterdam to write on the Bill of Lading: "Ship in Bond direct to Indianapolis, Ind., U. S. A., consigned Merchants' Dispatch, without appraisement. Goods to be cleared in Indianapolis, Ind., U. S. A."

If you want goods shipped by some other railroad or some express company, name that railroad or express company instead of the Merchants' Dispatch.

If goods are shipped in bond C. O. D., a draft need not be drawn. Such goods are shipped "to order" and after the Customs House collects its charges, the consignee will have to pay the carrier's charges before he can get the goods.

Instructions for Shipping Goods in Bond (Given by a large brokerage firm.)—These instructions are correct as per U. S. Customs Laws, and should be carefully complied with:

(1) Every package must be distinctly marked with name or shipping mark of consignee, and have Bill of Lading and Invoice made out bearing same mark as goods.

(2) Every package must be distinctly marked "In bond to....."

(Insert port of destination in blank.)

(3) Present your invoice to the U. S. Consul for certification. The Consul will return two copies.

(4) Mail immediately one certified invoice to R. F. Downing & Co., 13 Williams St., N. Y., and the other to the consignee. (If you are not shipping through R. F. Downing & Co., name your own shipper.)

(5) Instruct the Forwarding Agent to mail a copy of the Bill of Lading to R. F. Downing & Co., by steamer carrying the goods, or by first mail steamer, and mail all other documents to the address of the consignee.

Note.—If the certified invoice and Bill of Lading do not reach R. F. Downing & Co, as soon as the goods arrive at New York, the goods will be sent to "General Order Warehouse" by customs officers, thereby incurring great expense and delay. If value of goods is less than One Hundred Dollars ($100.00) no consular invoice is required, and goods can go forward in bond without examination by customs at New York, but a complete detail of goods and values must be produced.)

How to Handle Freight Claims.—When any difference arises between the Consignee and the Railroad Company, it will make the adjustment of such differences *much easier* if the matter is handled in the usual manner prescribed by the transportation companies, and the following suggestions are offered as applying to *any* case of a misunderstanding regarding freight or for loss or damage of goods.

To Prevent Disputes.—*Always* look over your freight bills before you sign the receipt showing that everything is O. K.

Notice whether the *number of packages is correct*, and also notice whether or not they are all in *good condition.*

Also notice the *weight* at which the different items are billed.

In case of any error, ask your agent to make correction before you sign for the goods and pay the freight, or, if he will not, or cannot make the correction asked, have him give you a suitable notation on your freight bill.

Do not let your agent put you off with the statement that he will "send a notation in to the Company;" or the statement that "you will have to take the matter up with the shippers." There is *only one way* that the Railroad Company will adjust disputed matters of this kind, and that is by a proper claim being put in, and this claim will not and cannot prove anything without your agent's notation.

If you sign the receipt *without* such notation the railroad company has *your own signature* to the statement that you have received all of the goods, and that they were in good condition.

If you carelessly sign a freight bill for goods that you do not receive or for goods that are damaged, you should not ask shippers to assume the risk.

CARRIERS' RESPONSIBILITY.—Shippers are not responsible for loss of, or damage to, goods in the hands of railroads, express or other transportation companies; neither are they responsible for overcharges of any kind on the part of such companies.

Shipper's responsibility ceases when your goods are delivered to the carrier and their receipt taken for such goods. In case of any dissatisfaction resulting from error or negligence on such carrier's part, *your recourse is on the carrier*, and *not on shippers.*

Shortage, or Damage.—If there is a *shortage* of items or if there are any of the boxes or packages that *appear to have been tampered with*, or that are *damaged*, INSIST upon your agent's making a suitable notation on your freight bill before it is paid. Then *save your freight bill for proof.*

It is your *right* to insist upon this notation, for it is the only evidence that you can offer that you have not received the full amount of goods, or that everything is not as it should be.

Overcharges.—In case you have been *overcharged*, either in rate or in the amount of weight and your agent will not voluntarily make correction before the bill is paid, insist upon correction or suitable notation just the same as if the goods had been short or had been damaged.

Claims.—Any disputed matter that your agent cannot or will not adjust, will usually receive due attention if properly presented to the Railroad Company's claim department, and it is for the purpose of giving the facts in the case that your agent's notation is insisted on.

A claim should always be entered for any loss, damage, or overcharge for which the railroad company is responsible, and which cannot be adjusted by other means.

Transportation companies are as desirous to treat their customers well as merchants are, and by following the plan outlined above you will protect both yourself and the shippers and secure proper adjustment of any errors on the part of the company's agents or employees.

Payment.—In case of such loss, damage, or overcharge, commercial laws, as well as usage, require payment to be made in full to shipper.

It would be an injustice to ask the shipper to stand a loss for which he is in no wise to blame and for which you have recourse upon the responsible party.

Notes.—Goods should be carefully packed, but Railroad Companies frequently inspect packages for evidence of wrong classification, and have the power to raise weights or classifications at will of Inspector and in such cases goods are often thrown back in the boxes in disorder or more or less damaged.—*Such cases are to be treated as noted above.* (Loss or damage.)

Railroad Companies set their own weights on goods shipped. No matter what weights are given by the shipper, the R. R. Co. can change them at will, and on this account you should not hold shipper responsible where goods are billed above actual weights.

Entering a Railroad Claim.—Unless Railroad Claims are properly presented and accompanied by required proof, they will not receive consideration. Hence it is well to use care in making them out, and to keep a record of all waybill numbers, dates, amounts, etc., so that they may be referred to in future correspondence regarding your claim.—Your freight bills show all numbers, etc., that are required.

The form, or wording, of a claim is immaterial, but the claim *must show wherein the Railroad Company is at fault*, and it must be accompanied by the original *Bill of Lading* and the original *Freight Bill;* and, if the claim is for loss or damage, by the original *invoice* for the goods. If originals cannot be found copies can usually be substituted if the claimant will guarantee against further claims.

The best and most simple manner of entering a claim is about as shown below, as it contains a record of all numbers, dates, etc., and a list of papers that are attached. This list is a check against any of the papers being removed or lost.

CLAIM BLANK

(City and State), (Date), 19

Claimant's Number

Mr. (Agent's Name and Title) Agent, (Name of R. R.) R. R. Co.

(City and State)

R. R. Co.'s Number

Total Amount

I (or we) hereby make claim for (Loss, Damage, or Overcharge) on shipment as listed below:

Shipment made from _____ to _____

Shipped by _____ to _____

Date of Bill of Lading _____ Date of Freight Bill _____

Date of Waybill _____ Waybill No. _____

Pro. No. _____ Car Number _____

Weight Billed (for use if overcharged) Actual Weight (for use if overcharged)

Amount Charged (for use if overcharged) Correct Amount (for use if overcharged)

Claim is for the following items (State whether lost, damaged, or overcharged)

(Claim Blank should have a number of ruled lines here, and on them should be listed clearly each and every item of the claim, giving prices or amounts just as given in an invoice for a bill of goods.)

Attached find:

Original Bill of Lading. (Needed in all claims.)

Original Freight Bill. (Needed in all claims. Should also mention here any loss or damage shown by this paper.)

Original Invoice. (If for loss or damage claim.)

(Itemize here any other papers you may attach to substantiate your claim. Your carbon copy will prove just what evidence you have submitted.)

Signed, (Claimant's Signature.)

The claimant should keep a carbon copy of the claim, so that he may know positively just when and in what manner his claim was made out. The Railroad Company may lose your claim, but your copy will show positively just what papers you surrendered with your claim. In most cases it is preferable that the claim be sent direct to the Company's Claim Agent, rather than to your local agent

If claim is not settled within a reasonable time, write your claim agent, stir him up every three or four weeks.

VOCABULARY OF MERCANTILE TERMS

Abandonment.—In marine insurance, the surrender of a ship or of goods by the owners to the underwriters.

Abatement.—A sum deducted from the face of a bill or debt, for damage, overcharge, prepayment, etc.; a discount or rebate.

Acceptance.—The act of honoring or accepting; also the instrument accepted.

Accommodation Paper.—A note, draft, acceptance, or other paper issued to enable the person receiving it to borrow money or get credit, and not as an evidence of indebtedness on the part of the person giving the paper.

Account.—A subdivision of the Ledger for recording the debits and credits that relate to a person or firm, or to a special class of transactions.

Accountant.—One skilled in the theory and art of accounting; a bookkeeper.

Account-Current.—A special itemized statement of the business transactions between two persons or firms, for a given period during which each has had dealings with the other on account. The account-current is usually an itemized transcript of the Ledger account, and made out with the view of ascertaining the equated cash balance.

Account Purchase.—A detailed statement rendered by an agent to his principal, showing the particulars of purchase, expense, and gross cost.

Account Sales.—A detailed statement rendered by a commission merchant to his principal, showing the particulars of sales, expenses, and net proceeds.

Accrued.—Interest due to date.

Adjustment.—An agreement as to an account or claim; a settlement. In insurance, the act of ascertaining the amount of the indemnity due the insured, also the apportioning of the amount among the underwriters.

Adjustment Entry.—An entry for the purpose of correcting an error.

Administrator.—One who is legally appointed to manage the affairs of the estate of a deceased person.

Ad Valorem.—According to value.

Adventure.—Property invested or ventured in a particular enterprise; a speculation; a shipment, especially, a shipment at sea.

Advance.—Increase in price; money paid on goods before they are delivered.

Advice.—Announcement by letter, usually of goods shipped or of bills sent for acceptance or collection.

Affidavit.—A special sworn statement in writing.

Agent.—One who acts in a legal capacity for another; a legal representative.

Antedate.—To date before the real time.

Appraiser.—One who sets a value upon property.

Appurtenances.—Things going with, or belonging to.

Arbitration.—A method of settling differences, by referring the matter in controversy to the decision of disinterested parties.

Arrears.—A sum or sums not paid when due.

Articles of Copartnership.—The written instrument or contract by the terms of which a copartnership is formed.

Assets.—Resources consisting of property, money or collectible debts, or of anything convertible into money.

Assessment.—Valuation of property for the purpose of taxation; an amount to be collected from stockholders of corporations to meet expenses, pay debts, etc.

Assignee.—One to whom is transferred the possession of property to be managed or disposed of for the benefit of the creditors of an insolvent person, firm, or corporation.

Assignor.—One who transfers his property to an assignee for the benefit of his creditors.

Assignment.—The act of transferring property to an assignee. (See "Assignee.")

Assume.—To undertake a responsibility, as to assume the payment of a debt, or the disposal or control of property.

Association.—A union of several persons for the carrying out of some undertaking.

Assurance.—Guaranty against loss; insurance.

Attachment.—A legal writ, or order, authorizing the seizure of property for the satisfaction of a debt or claim.

Attorney.—A general agent; a lawyer.

Audit.—To examine and verify accounts.

Auditor.—One who examines and verifies accounts.

Avails.—Proceeds or profits.

Average.—The apportionment of losses of goods at sea; to find the equated time at which the balance of an account falls due.

Average Investment.—The investment which, for a given time, as one day, or one month, is equal to one or more investments for different times.

Bail.—Surety for the appearance of a person at a trial, either as a witness or to answer to a criminal charge.

Bailment.—A delivery of goods to be held in trust.

Balance.—The difference between the two sides of an account; to close an account.

Balance of Trade.—The difference, in value, between the imports and exports of a country.

Bank Balance.—The net amount due to a depositor by the bank.

Bank Book.—The pass book of a depositor in which the banker records the amounts deposited, and the depositor's checks which have been paid by the bank.

Bankrupt.—The condition of being unable to meet one's financial obligations; an insolvent debtor.

Bearer.—The person who presents for payment, a note, check, order, etc.

Bid.—A competitive offer, oral or written, to purchase or sell property, or perform some service for a stated sum.

Bill.—A general name given to various statements in writing, as of goods sold, services rendered, etc.; a note or draft, particularly a foreign draft. (See "Bill of Exchange.") The finding of a grand jury; a proposed law when introduced into a legislative body.

Bills of Exchange.—A foreign draft, sometimes called simply a "bill."

Bill of Lading.—An itemized receipt for goods delivered to a transportation company, and including a contract for their delivery at a specified place.

Bill of Parcels.—An itemized bill or list of goods sold

including a statement of quantities, prices, terms, etc., and given by the seller to the buyer.

Bill of Sale.—A formal instrument transferring the ownership of personal property, and usually given as security for the payment of a debt. The legal effect of a bill of sale is to transfer ownership without possession.

Board of Trade.—An incorporated association of business men, having for its object the general advancement of commercial and business interests. Virtually, the same as a Chamber of Commerce or Merchant's Exchange.

Bona Fide.—In good faith; genuine.

Bond.—A written instrument given under seal by an individual, a firm, or a corporation, in which the signer pledges himself to do or not to do some specified thing. The term is also applied generally to the interest-bearing obligations of municipal and private corporations.

Bonded Warehouse.—A building, or warehouse, in which goods subject to revenue duties are stored until the importer either pays the duties, or re-exports the goods. In case the goods are re-exported, the duties are not required to be paid. The owner of the goods must give a bond for the payment of the duties.

Bottomry Bond.—A mortgage on a vessel itself, as security,

Breakage.—A deduction from the cost or from the duties due on fragile goods as glassware, bottled goods, etc.

Broker.—A term applied to a class of general agents, or middlemen, through whom various business transactions are effected, and various contracts are entered into by other parties.

Brokerage.—The percentage or commission charged by a broker for his services.

Bullion.—Uncoined gold and silver.

Capital.—Money or other resources invested in a business.

Card System.—A method of keeping accounts by means of cards ruled in ledger form and kept in alphabetically arranged cases, with accompanying indexes.

Cargo.—The total lading or freight of a vessel.

Cash.—Money of account or any current representative thereof, as bank bills, checks, money-orders, and the like.

Cash Balance.—The equated amount due upon any open account at a given date.

Cashier.—The principal financial officer of a bank and who has personal charge of the cash; in general, any custodian of the cash belonging to a business enterprise.

Certificate.—A written statement formally setting forth some fact of advantage to the holder.

Certified Check.—A check that has been accepted, or certified to by the bank on which it is drawn.

Charges.—A general term including the expenses incurred in either the purchase or sale of goods, as cooperage, drayage, packing, wharfage, freight, etc.

Charter Party.—A written contract for the hiring or chartering of a ship.

Chattels.—Property other than money or real estate. In a broader sense, property owned by a mercantile firm in conducting its business but which is not included in the stock in trade; such as scales, delivery teams, trucks for removing merchandise, etc.

Check.—A written order by the depositor of a bank directing the payment of a specified sum of money.

Circulating Medium.—Coin and bank notes, or paper convertible into money on demand; currency.

Clearance.—A certificate authorizing a vessel to leave port.

Clearing.—The exchanging of drafts and settling of balances between different banks.

Clearing-house.—The place where clearings are effected. See "Clearing."

Collaterals.—The pledges of stock, notes, or other valuables for loans of money, or other indebtedness.

Commerce.—The general exchange of commodities between states or nations; trade.

Commercial Paper.—Bills of exchange, drafts, promissory notes, checks, etc., used in the course of trade.

Common Carrier.—Any person who for a consideration undertakes the general carriage of goods or persons.

Compound.—To settle with a debtor or creditor by paying or receiving a part of the amount due as settlement in full.

Compromise.—An agreement embracing mutual concessions.

Consignment.—Goods shipped to a commission merchant and to be sold on the account of the consignor.

Consul.—An agent for a government, who resides in a foreign country, chiefly for the purpose of protecting the commercial interests of the citizens of the country which he represents.

Contraband.—A term applied to goods, the sale, importation, or exportation of which is prohibited by law; also applied to goods that have been smuggled or imported into a country without payment of the legal duties.

Contract.—An agreement between two or more parties for a specified consideration, to do, or not to do, a particular thing.

Copyright.—The right allowed by law to the author of any book, printed article, work of art, etc., by which he is entitled to the sole privilege of publishing the same.

Cost Mark.—A private mark in cipher, and attached to goods in order that the merchant or salesman who handles the goods may know their original cost.

Counter Entry.—An entry that cancels or annuls some previous entry.

Coupon.—An interest certificate attached to a bond, and representing an installment of interest which is due at a specified time. When paid, the coupons are cut off.

Coupon Bonds.—Bonds with coupons attached. (See "Coupon.")

Credentials.—Written authority to act in a specified capacity; recommendations.

Credit.—Applied to the right-hand column or folio of a book of entry; financial standing; allowance of time in the payment of a debt; favorable reputation.

Cross Entry.—An entry that adjusts an erroneous entry that has previously been made in some account.

Currency.—That which circulates as lawful money; the circulating medium.

Customs.—The duties imposed by law upon imports and exports. In the United States there are no customs upon exports.

Custom-house.—The office where vessels are cleared and where duties are collected.

Damages.—A sum demanded on account of injury to person or property.

Dead Freight.—The amount of freight paid by the charterer of a vessel for that part of the vessel which he does not occupy; in railroad business any imperishable freight, as grain, dry-goods, coal, etc., in distinction from *live freight* which includes live stock, dressed meats, fruits, vegetables, and other perishable products.

Debenture.—A written acknowledgment under seal, of a debt, usually applied to certificates or obligations of corporations, issued in a form to be conveniently bought and sold as investments, also in customs business, a certificate of drawback entitling the importer to a certain

sum of money from the government, on the re-exportation of specified goods, the duties on which have been paid.

Debit.—A term applied to the left-hand column or folio of a book of entry; an entry on the debit side; to enter against, or charge.

Deed.—A written contract, under seal, transferring the title to real estate.

Debtor.—In debt to; one who owes another.

Defalcation.—A deduction; a fraudulent deficiency in money matters; a breach of trust.

Defaulter.—One who fails to account for money or valuables entrusted to his care.

Delivery.—Act of surrendering or transferring possession.

Demand.—A legal presentment of a claim; a formal asking for what is due.

Demurrage.—Forfeit money for detaining a vessel in port longer than the specified time.

Deposit Slip.—A form furnished by a bank to a depositor for the purpose of recording an itemized statement of the different items of his deposit.

Depreciation.—A falling off in value; a lessening in price as compared with a given standard, as in the case of stocks, or other credits which are said to be "depreciated" when they are rated at less than their face or par value.

Dishonor.—A refusal to accept a draft, or to pay an obligation when presented.

Dockage.—A charge for the use of a dock; a deduction from wages.

Dormant.—Not acting; applied to a partner who takes no share in the active business, but who shares in the losses or gains; often called a "silent" partner.

Double Entry.—A system of bookkeeping in which equal debits and credits are made for each transaction.

Draft.—A written order on a bank or person, directing the payment of money to some person or firm named in the draft.

Drawback.—Duties refunded to an importer upon goods that are to be re-shipped for exportation.

Drawee.—The person upon whom a draft is drawn.

Drawer.—The person who signs a draft.

Drayage.—A charge for the transfer of goods by a drayman.

Due-bill.—A brief written acknowledgment of a debt, equivalent in effect to a promissory note.

Duplicate.—Consisting of two parts; one of two things that are exactly alike; to make an exact copy.

Duties.—See "Customs."

Earnest.—Part payment of money, or delivery of a portion of the goods sold, as an evidence of a contract of sale.

Effects.—Any kind of goods or property.

Embargo.—Act of a government prohibiting ships from leaving port.

Embezzlement.—Unlawful appropriation of money or other property by one holding it in trust.

Emporium.—A commercial center; a mart.

Entry.—The formal recording of a transaction in any book of record; the lodgment of a ship's papers in the custom-house on arrival at a port of entry.

Exchange.—(1) A term applied to the settlement by means other than the transmission of money or goods, of accounts between persons living far apart, and separated by natural boundaries. When such adjustments are effected between residents of different countries, the process is known as *Foreign Exchange;* when between residents of the same country it is called *Domestic Exchange.* Exchange is usually effected through the agency of banks.

(2) Bank drafts, Bills of Exchange, or other negotiable orders by means of which exchange is effected.

(3) The amount of commission, or compensation, paid to a bank or broker, for effecting exchange. This may be a certain percentage of the face of the draft or bill, or it may be a fixed fee that is charged for the issue of a draft and within certain limits, regardless of the face amount.

(4) The rate per cent. or the rate of charge per monetary unit, for the issue of a draft or bill. In England, market quotations of exchange are expressed in pence and farthings, for each pound sterling, and in the United States at certain rate per cent as ¼%, ⅛% etc., of the face of the bill.

Executor.—A person named in a will to settle the estate of the testator.

Exports.—Goods shipped or exported to a foreign country.

Extension.—The total amounts of the separate items in a bill, invoice, or book, carried out and entered in the proper column, called the *extension column.*

Face.—The sum of money named in a note, draft or other commercial paper; the amount of a bill or debt irrespective of interest charges, discounts, etc.

Factor.—An agent in buying or selling; a commission merchant.

Failure.—Act of becoming insolvent.

Finance.—A general term relating to money and its investment or expenditure.

Financier.—One skilled in finance; an expert in monetary affairs.

Firm.—The persons forming a business partnership: the name by which a partnership is generally known, as the *firm* of Hart & Son.

Fiscal.—Pertaining to the revenues or finances of the government, whether national, state, or municipal.

Fiscal Year.—The financial year of a business firm, corporation, or governmental department, at the close of which, the accounts are balanced and statements of the financial operations made out. The fiscal year of the United States Government begins July 1 of each year and ends June 30 of the following year.

Fixtures.—The immovable furniture of a store or office, as the counters, shelving, gas-pipes, etc.

Floating Debt.—The miscellaneous and unfunded debts of a government or corporation, such as demand notes, treasury bills, acceptances, etc., due at different dates, and subject to liquidation or extension.

Folio.—A page, or the two opposite pages, of an account book.

Footing.—Adding a column of figures; the total or sum of a column of figures.

Foreclose.—To enforce the terms of a mortgage by taking legal possession of the mortgaged property.

Form.—A printed blank to be filled out by the insertion of details, as the *form* for a note, deed, mortgage, or the like.

Forced Sale.—A sale of goods or other property made under necessity or legal compulsion.

Free Trade.—The policy of conducting international commerce without duties; also, in a restricted sense, the policy of levying the duties of a country with regard solely to revenue, and without reference to the protection of the country's own industries.

Freight.—Goods in course of transportation, whether by land or water; also, the sum charged for such transportation.

Fund.—To collect the floating debt (see "Floating Debt") of a corporation or government into a more or less permanent form at a fixed rate of interest, and usually payable within a fixed period of years; any accumulated stock or capital set apart for a special purpose. (See "Sinking Fund"); in the plural, i. e., "the funds," the interest-bearing national debt of Great Britain.

Furniture.—The movable articles of a store or office, as chairs, tables, carpets, etc.

Goods.—Any commodities or articles of trade collectively, wares, merchandise.

Good Will.—The advantage or benefit which is acquired by an establishment, beyond the mere value of the capital stock, funds, or property employed therein. Good will may arise through the use of a particular name or trade mark, through extensive advertisement, or through any other agency that creates a favorable reputation for the business.

Grant.—The conveyance, by government, of large bodies of land to individuals or corporations; the body of land thus conveyed.

Gross.—Twelve dozen; in bulk, including cask, box, wrappings, etc., as the *gross weight* of goods; whole cost or amount including charges, as *gross* cost, *gross* sales, the opposite of net.

Guaranty.—A security against loss; a contract in which one person undertakes to insure the performance of an agreement made by another. (Also written "Guarantee.")

High Seas.—The portion of the ocean that is not within the jurisdiction of any nation; as a general rule, that portion that is not within a marine league (about three miles) of the general shore line.

Honor.—To accept or pay a note, draft, or other obligation when presented, or when due.

Hypothecate.—To pledge negotiable securities, stocks, bonds, or the like, for the payment of a debt, or as security for a loan; to mortgage without giving possession.

Imports.—The general commodities which are brought into a country from other countries.

Importer.—One engaged in the business of importing goods from a foreign country.

Income.—The annual receipts of a person or corporation; gains from any source.

Indemnify.—To reimburse, to recompense for any loss or injury; to make sure against future loss or liability.

Indemnity.—That which is given to indemnify against loss, either actual or possible. (See "Indemnify.")

Indenture.—Any formal writing containing a contract.

Indorsement.—Act of writing one's name on the back of a check or other commercial paper.

Insolvency.—Inability to pay one's debts.

Installment.—One of several parts into which a debt is divided for payment at different times.

Installment Plan.—A widely introduced system of selling various kinds of property as town lots, furniture, bicycles, pianos, etc., by which the dealer retains the ownership of the thing sold, until it is paid for, the payments being made in installments, and the seller retaining the right to retake the article without repaying any part of what has been paid, should the buyer make default in any installment.

Insurance.—Guaranty of whole or partial indemnity against loss of, or damage to property, loss of life or health, or injury to body; the sum paid for such guaranty.

Insurance Policy.—The formal instrument containing the contract between an insurance company and the person whose life or property is insured.

Interest.—A sum charged for the use of money or its equivalent.

Intestate.—Applied to deceased persons who have made no provision by will for the disposal of their property; the term is also applied to any property not thus disposed of, as an *intestate* estate.

Investment.—The act of expending money or other capital for property with a view to future gain; the total money or other capital that one invests in a business.

Invoice Book.—A book for filling or copying the several invoices of goods purchased by a merchant.

Jettison.—The throwing overboard of goods in order to ease a ship in time of storm or danger. Also written *jetsam, jetsen, jetson*, etc.

Jobber.—A commercial "middleman" who buys goods of the importer or manufacturer, and sells to the wholesaler or to the retail dealer.

Job Lot.—A quantity of goods of different kinds or of different values, that are sold as a whole, usually without invoicing and at a comparatively low price.

Joint Stock Company.—A species of partnership in which the business is conducted similarly to that of corporations. Joint stock companies are unchartered, do not use a common seal, and as a rule, cannot exercise general corporate rights. Their powers and privileges depend upon the statutes of the several states. Owing to the facility with which corporations may be formed in most of the states, joint stock companies are becoming obsolete in the United States.

Jurisdiction.—The right of a court to try a case; the territory within which the power of a court is exercised.

Judgment.—The judicial decision or decree of a court; the document setting forth such decree especially applied to judicial awards in civil causes; hence, a debt ascertained and supported by a judicial decision.

Judgment-note.—A non-negotiable promissory note in the usual form, but containing a clause giving to the payee a power of attorney to appear before a court and confess judgment in behalf of the maker of the note. The holder of a judgment-note is relieved from the necessity of bringing suit for its collection, in case the maker fails to pay it at maturity.

Leakage.—An allowance of a certain rate per cent. for the leaking of casks or waste by leaking.

Lease.—A written contract transferring the possession and right to occupy and use lands, tenements, or other real property for a fixed period of time, and for a specified compensation to the owner; to grant or give possession of by lease, as to *lease* a farm to a tenant; to rent or take by a lease, as to *lease* a house from the owner.

Legacy.—Money or other property left by will; a bequest.

Legal Tender.—A legal offer of money in satisfaction of a debt; money which may be legally offered in satisfaction of a debt, as between private individuals, firms and corporations. All money of the United States is a legal tender except national bank-notes. The silver coins of the United States of a denomination less than one dollar are a legal tender in sums not exceeding ten dollars. The five-, three-, and one-cent pieces are a legal tender in sums not exceeding twenty-five cents. Foreign coins or bills are not a legal tender in the United States.

Letter of Credit.—A letter issued by the banker for the purpose of giving the holder a credit not exceeding a specified amount, with one or more banks in distant countries. It is usually issued to travelers, and to enable

them to avoid the inconvenience of carrying considerable sums of money.

Liability.— A debt; that for which one is liable.

License.— Legal authority in proper form to engage in some business or perform some act named in the license.

Lien.— The legal right to retain possession of property belonging to another until some debt or charge arising in connection with the property shall have been paid.

Limited.— A term affixed to the name of a corporation (or, in some States, a joint Stock Company) and signifying that the liabilities of the individual stockholders are limited to a specified sum, usually to the par value of the shares held by each.

Liquidation. — Payment of debts or claims.

Manifest.— A list of a ship's cargo.

Maturity.— The time at which a note, draft, or other obligation falls due.

Maximum.— The highest price or rate.

Mercantile Agency.— A concern whose business it is to supply information relative to the financial standing, credit rating and general business reputation of persons, firms, or corporations that are engaged in mercantile enterprises.

Merchandise. — Any movable object of trade or traffic; specifically, the goods offered for sale by a dealer.

Merchants' Exchange.— A place where merchants, bankers, brokers, and other business men of a city meet to transact business, discuss the interests of trade, or gather information regarding any line of business.

Minimum.— The lowest rate or price.

Money.— Originally, any coin bearing a government stamp, now extended to include bank bills, government notes, or other substitutes for money that may be used for the final satisfaction of debts, but not including checks, notes, or other private obligations; in a broader sense, anything that is used as a general medium of exchange; thus among the Virginian colonists, tobacco was used as money.

Monopoly.— An exclusive right to carry on a traffic. The right may be conferred by law, as in the case of a patented article, or it may arise from exclusive possession of the means for obtaining the monopolized commodity.

Mortgage.— A contract by which the payment of a debt is secured by the conditional transfer of the title to property.

Net.— Lowest; an amount not subject to further deductions, as *net* weight, *net* price, *net* profit, etc.

Negotiate.— To arrange for or bring about a purchase, sale or loan.

Negotiable Paper.— In law, any evidence of a debt, as a check, note, draft, or other instrument which the holder may transfer to another, who shall have the right to enforce payment in accordance with the terms set forth in the instrument, and regardless of the equities subsisting between the original parties. In order that full negotiability may attach to an instrument, it must be obtained in good faith and for value, and before its maturity.

Notary or Notary Public.— A public official who is specially authorized to acknowledge instruments under seal, protest commercial paper for non payment, administer oaths, etc. In the United States, notaries-public are state officers, and are usually appointed by the governor and at his discretion.

Note.— Any written promise to pay money.

Open Account.— An unsettled or running account.

Open Policy.— An insurance policy in which the value of the property covered by it is not fixed.

Option.— A stockbroker's term for the privilege of taking or delivering on a future day a certain amount of given stock at a price agreed upon. An option of calling for the delivery of stock is known as a "call;" an option of delivering stock, a "put." Both are called "futures" and in many states, transactions of this class are forbidden by law.

Outlaw.— To become voidable through the statute of limitations. Said of debts that have not been collected within the time allowed by law.

Overdraft.— The amount by which a bank-check or draft exceeds the bank balance to the credit or the drawer; a draft which exceeds in amount the bank-balance against which it is drawn; the resources of a bank, consisting of debts due the bank by depositors who have overdrawn their accounts.

Par.— Equality of commercial and face value, thus stocks or other commercial paper that sells for its face or issue value, is said to be *at par;* if sold below this value, *below par;* if above this value, *above par.*

Partnership.— The relation between individuals who unite either their property, their services, or their credit for the purpose of conducting some enterprise for their mutual advantage.

Pass Book.— A book in which a trader enters the articles sold on credit, and then *passes*, or sends it to the purchaser; a bank-book.

Pawnbroker.— One who makes a business of loaning money that is secured by a pledge of personal property, which pledge is retained by the lender if the money is not paid within a prescribed time.

Payee.— The person to whom a note, check, or other commercial paper is payable.

Postdate.— To put a date on a document later than the actual date on which it was written.

Posting.— Transferring the debits and credits from the Journal or other books to the Ledger.

Power of Attorney.— An instrument by which one person authorizes another to do certain acts for him, as to make contracts, sign deeds, issue checks, etc.

Premium.— Amount in excess of par; the sum charged for insurance.

Price Current.— A regularly published price-list of the general commodities that have been sold in the market during a given period.

Principal.— The person for whom an agent acts; sum upon which interest is charged.

Protest.— A formal declaration, usually by a notary public, that demand has been made for the payment of a note, draft, or other commercial obligation, and that payment has been refused.

Quotations.— The published market price of commodities, stocks, bonds, etc.

Rating.— Commercial reputation or standing of a business firm, as estimated and published by a recognized mercantile agency. (See "Mercantile Agency.")

Real Estate.— Land and such fixtures, improvements, growing crops, buildings, etc., as go with the land when it is sold.

Rebate.— An allowance by way of discount; a deduction from a gross amount.

Receipt.— A written acknowledgment of having received something specified, with date, purpose, signature, and such other particulars as the case requires.

Receiver.— A person appointed by a court to take the custody and management of property involved in any litigation, or for the purpose of closing up the business of a firm or corporation.

Refund.— To pay back or return money; to convert a

funded debt into a new debt, and usually at a lower rate of interest.

Registered Letter.— A letter for which, during its transmission, each postal employee gives a receipt when it passes into his hands, thus making its preservation and delivery more certain.

Remittance.— Act of transmitting a sum of money or its equivalent to another place; the money sent.

Renewal.— The act of giving a new note, acceptance, or other obligation for one that is due.

Retail.— To sell in small quantities.

Revenue.— Income of a state or nation derived from duties, taxes, or other sources.

Revoke.— To repeal or cancel; to recall authority, as to *revoke* a will, or an agency.

Salvage.— A legal allowance made to those who, although under no obligations to do so, rescue a ship and its cargo or other property from danger or destruction by shipwreck, fire, etc.

Shipment.— A quantity of goods delivered at one time for transportation; a consignment.

Sight.— Upon presentation, as to draw a draft payable at *sight*.

Signature.— The name of a person written by himself, or any mark or sign executed by him, and representing his name; the authoritative signed name of a person, firm, or corporation, and which if authoritatively affixed to any document, is binding upon the person or firm which the signature represents.

Signature-Book.— (See page 3.)

Single Entry.— A system of bookkeeping in which but one record, or entry is made for each transaction.

Sinking Fund.— A fund set apart from the earnings of a corporation, or from the revenues of a government or municipality, for the extinction of a bonded or other debt.

Silent Partner.— A dormant partner; see "Dormant."

Solvent.— Financially sound; able to pay all liabilities.

Spot Cash,— Terms of sale where goods are to be paid for on delivery.

Statement.— An itemized list of the debits and credits of a personal account, a summary of a business covering a certain period of time.

Stipulation.— A special part of a bargain or contract, as a *stipulation* that rent is to be payable quarterly.

Stock.— Amount invested in a business; goods on hand; the capital of a corporation as represented by the shares; often in the plural, as a dealer in *stocks*.

Stoppage.— The right of a shipper of goods sold on credit to resume possession of them during their transit, or while they are in the carrier's warehouse, and prior to their delivery to the buyer.

Storage.— A charge for keeping or storing goods in a warehouse or other place of safe keeping.

Sundries.— Miscellaneous small things; in journalizing, a term indicating that several accounts are involved in one entry.

Surety.— A person who renders himself responsible for the performance of another's contracts, the payment of his debts, or for his appearance in court; security.

Suspense Account.— An account for the collection of entries of sales made to unknown parties.

Syndicate.— A combination of capitalists who unite for the purpose of carrying out some special financial undertaking.

Tare.— A deduction from the gross weight of goods, of an amount approximately equal to the weight of the box, crate, or other package containing them.

Tariff.— A scale or table of charges; a list or table of duties to be paid on imported goods.

Teller.— An employee in a bank whose business it is either to receive or to pay money over the counter. There are usually two, a *receiving teller* and a *paying teller*.

Tender.— An offer. (See "Legal Tender.")

Terms.— The conditions under which goods are sold, usually with reference to the term of credit and the discounts to be allowed.

Trade Mark.— A distinguishing mark or device, usually copyrighted, that the manufacturer of goods impresses upon his goods, or labels, or inserts in his advertisements.

Tonnage.— The carrying capacity of a ship.

Trust.— A union of several corporations for the purpose of placing the entire business under one management

Trust Certificate.— A certificate given to a stockholder when he transfers his stock to a trust.

Trust Company.— An incorporate concern that receives deposits which it loans on stocks, bonds, or other safe security. Trust companies often undertake the management of funds belonging to large estates, or act as financial agents for municipalities and other corporations.

Underwriter.— One who insures or carries on the business of insurance; an insurance company.

Usury.— An interest charge exceeding the maximum rate allowed by law. Some states have no usury laws.

Valid.— Good or sufficient in point of law; as a *valid* contract.

Vendor.— The person who vends, or sells any article. A dealer.

Void.— Of no effect legally; not enforceable.

Voucher.— Anything that evidences the correctness of accounts; a receipt, canceled check, or other evidence of payment.

Waive.— To relinquish a legal right.

Wares.— Goods especially manufactured; merchandise of any kind.

Way Bill.— A detailed list of the goods in a shipment sent by railroad.

Wharfage.— A charge for the use of a wharf.

COMMERCIAL ABBREVIATIONS

A. 1.....first quality
acc'c.....acceptance
A. D. The Year of our Lord.
adv.....adventure
ad.....advertisement
acct.....account
Act. Sales ... Account Sales
Acct. Cur.... Account Current.
Agt.....agent
A. M.....forenoon
amt.....amount
Art ..... article
Asst.....Assistant
av.....average
asst. or as'd.....assorted
agm't.....agreement
Bal.....Balance
B. Rend.....Bill Rendered
B. S. .....Bill of Sale
B. 30. Buyer's Option to purchase within 30 days.
B. Flat.... without Interest
B. B.....Bill Book
B. C. .....between calls
bbl., brl. or B. .....barrel
B. L.....Bill of Lading
B. Pay.....Bills Payable
B. Rec.....Bills Receivable
Bk .....bank
Bk. B.....Bank Book
Blk.....black
Bgs.....bags
Bdls.....bundles
Bls.....bales
Bkts .....baskets
Bot ..... bought
Brot.....brought
B. O., or b. o. buyer's option.
Bu.....bushels
Bxs.....boxes
Cap .....Capital
Cs.....cases
Com..... commission / commercial
Cons't or Con. Consignment
Cr.....creditor or crate
cts.....cents
Ctg..... cartage
Cwt.....hundred weight
Dep't.....Department
d.....pence
do..... the same
D. B.....Day Book
dep.....deposit
dft. or dr.....draft
Div.....dividend
Dis .....discount
doz.....dozen
Dr .....debtor
dray.....drayage
ds..... days
ea..... each
E. E..... Errors excepted
E. & O. E. ....Errors and omissions excepted.
end.....endorse
Eng .....English
Ent.....entry
Ent'd .....entered
Exch..... exchange
Exp. ..Expense or Expenses
Ex Divi. ..Without dividends or flat.
Fav.....favor
Fcp .....foolscap
Fig'd.....figured
fir .....firkin
F. O. B., or f. o. b. ..Free on Board.
Fol .....folio
Fwd.....forward
Fr.....French or Francs
frt.....freight
ft.....feet or foot
gal.....gallon
gr.....grain or gross
guar.....guarantee
hf.....half
hhd.....hogshead
hdkf .....handkerchief
hund.. .....hundred
I. B.....Invoice Book
I. I. B ...Inward Invoice Book.
i. e.. .....that is
in.. .....inches
inv.....invoice
Inv't or Inv'ry....inventory
Ins.....insurance
Insol.....Insolvency
Int.....interest
Inst.....present month
I. O. U.....I owe you
Jr..... ..Junior
J. F.....Journal folio
L. B.....Letter Book
lbs .....pounds
L.....Ledger
L. F.....Ledger folio
mf'd.....manufactured
M. .....thousand
Mem.....memorandum
M. Bds.....mortgage bonds
Mo.....month
Mos.....months
M. A.....month after date
mfg .....manufacturing
man'f.....manufacture
Mdse.....merchandise
MS., MSS.....manuscripts
mols,, or Mls..... molasses
N. B.....Note Book
N. B.....take notice
N L.....New Ledger
No.....number
Nos..... numbers
N. P.....Notary Public
O. A.....Old Account
O. K. .....All right
O. I. B., Outward Invoice Book.
oz.....ounce or ounces
P., pp.....page, pages
P. B.....Pass Book
P. O. D.....Pay on delivery
P. C. B....Petty Cash Book
Payt. .....payment
Pcs., or ps.....pieces
Pd.....paid
Pkgs .....packages
Pref.....preferred
Per.....by
pr.....pair
prs ..... pairs
P. S.....postscript
pts.....pints
Pun..... puncheon
P & L.....Profit and Loss
per cent....by the hundred
P. O.....Post Office
prox .....next month
qr.....quarter
qts.....quarts
qnts.....quintals
Ry.....Railway
R. W.....Regular Way or Rail Way.
R. R. .....Railroad
R. Bds.....Railroad bonds
Rec'r.....Receiver
Rec'd Pmt.....Received Payment.
Rect.....receipt
Rs., or rls .....rolls
S. B.....Sales Book
s.....shillings
Schr.....Schooner
Sh.....ship or shares
Shipt.....Shipment
sig.....signature
sk.....sack
st. dr.....sight draft
Supt.....Superintendent
stbt .....steamboat
str.....steamer
sunds.....sundries
S. O., or s. o.....seller's option.
stor .....storage
super., or S. P.....superfine
T. B..... Time Book / Trial Balance
Tel..... telegraph / telephone
Treas.....Treasurer
tc.....tierces
U. S.....United States
ult.....last month
ves.....vessel
via.....By the way of
viz.....To wit, namely
W. B..... .....Way Bill
W. N.....without notice
wt.....weight
yds..... yards
Yr.....year

COMMERCIAL CHARACTERS

@.....at
%.....account
%.....Percentum or by the 100.
℅..... care of
¢.....cents
$..... dollars
£..... pounds sterling
№.....number, as № 25
℔.....pounds, as 25 ℔

✓.....check mark
O%.....old account
N%.....new account
5^1.....five and one fourth
7^2....seven and two fourths
6^3.....six and three fourths

(These combinations are used in marking dry-goods. The small figure at the right indicates fourths.)